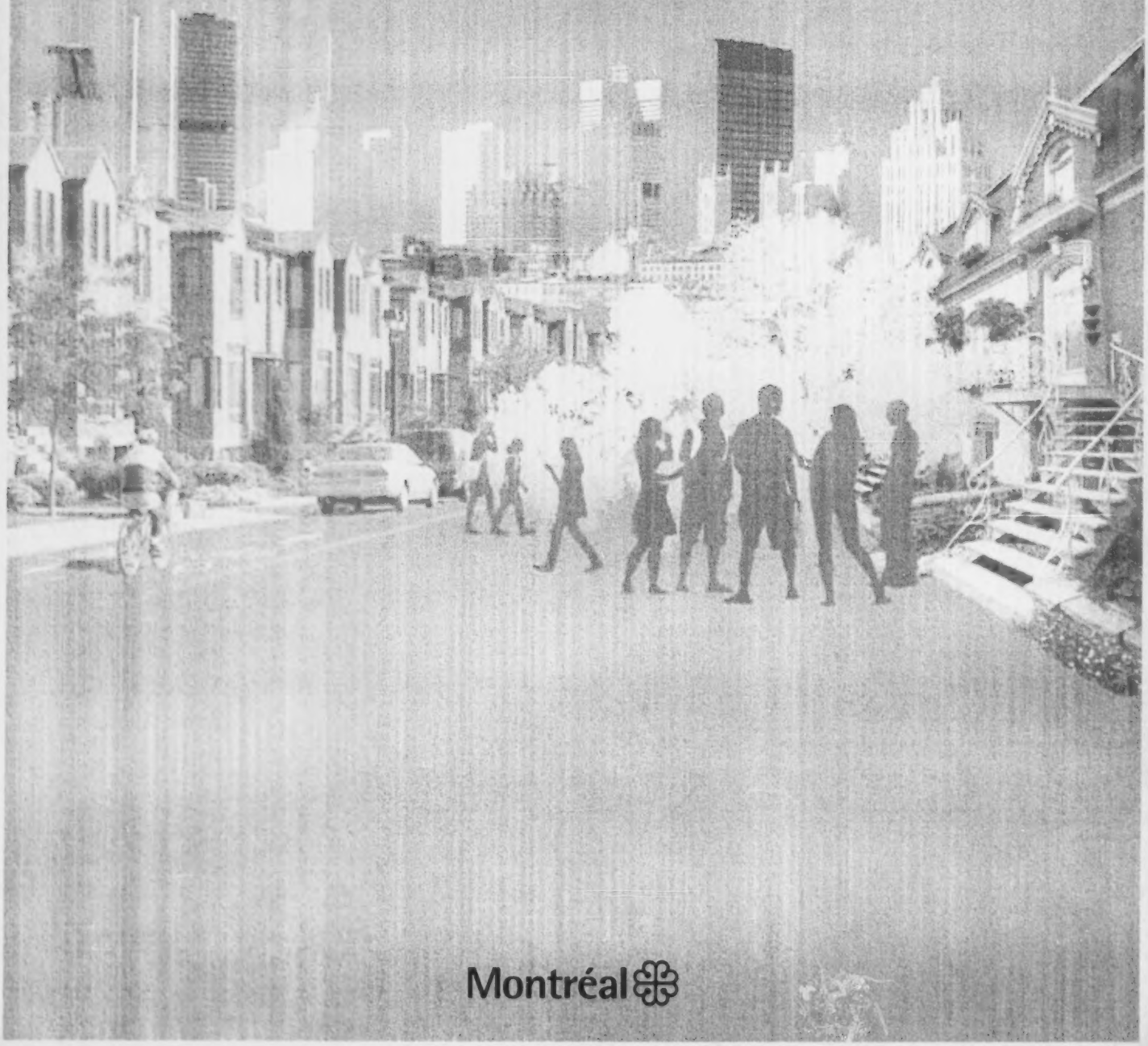
2009 Annual financial Report

Fiscal Year Ended December 31



Montréal

Montréal et action

2009 Annual financial Report

Fiscal Year Ended December 31

Montréal

2009 Annual financial Report

VILLE DE MONTRÉAL

Annual financial report
Year ended December 31, 2009

Deposited at the City Clerk's
Office of the Ville de Montréal
March 31, 2010

Montréal

Prepared by the Service des finances
Direction de la comptabilité et
du contrôle financier

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Annual Financial Report 2009

2009 Introduction

Message from the Mayor and Chair of the Executive Committee and the Vice Chair of the Executive Committee, Responsible for Finance

Dear Residents,

As you know, a financial crisis transformed itself into a worldwide recession during the course of 2009. Although Montréal was not spared this economic turmoil, it did weather the storm better than most North American cities because our Administration made the right tough, demanding and necessary choices. That is why we sought additional support from the boroughs and corporate departments in deploying recovery efforts from the very start of the year. Financial results for 2009 demonstrate that our Recovery Plan worked and that we managed to steer clear of a deficit that could have exceeded $117 million.

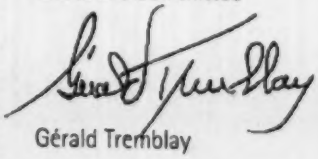
Our responsible management of public funds did not prevent us from pursuing our core goal of delivering excellent services to Montrealers and maintaining our commitment to public transit.

Thanks to our rigorous management of public finances, Montréal has preserved the best credit rating in its history. This rating not only serves to acknowledge the quality of our management style, it represents savings of many millions of dollars to Montréal taxpayers by permitting the city to borrow at lower interest rates.

Furthermore, because of our historic agreement with the Government of Québec recognizing Montréal as the "Metropolis of Québec," we received an additional $25 million in funding for 2009.

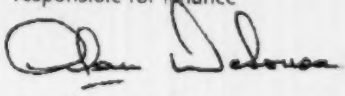
In 2009, as on our very first day at City Hall, we have strived to provide Montrealers with a living environment that meets their expectations. Doing so directly depends on our financial health. As you can see, our finances help ensure that our city remains a leader in the areas of quality of life, culture, knowledge and innovation—as well as a metropolis of creative talent that ranks among the cities of the future.

Mayor of Montréal and Chair of the Executive Committee



Gérald Tremblay

Vice Chair of the Executive Committee responsible for Finance



Alan DeSousa, FCA

Annual Financial Report **2009**

Message from the director general and the treasurer

Dear Madam, Sir:

The year 2009 triggered off a series of events with immediate or long-term effects on city finances, such as the official recognition, by the provincial government, of Montréal's status as the metropolis of Québec, and payment by the related municipalities of quota shares in lieu of the urban agglomeration tax. The world recession was an important issue in 2009. However, the impact of this recession was felt less severely in Montréal than in other North American cities. Nevertheless, the municipal administration showed vision and adopted, in 2009, a special recovery plan to avoid a fiscal deficit, while continuing to improve services to Island of Montréal residents.

As was the case in 2008, the 2009 financial statements also include a consolidated version of Montréal's financial activities. If we do not take into account the organizations that make up the reporting environment, such as the Société de transport de Montréal, Montréal has reached fiscal balance at year end. As at December 31, 2009, Montréal posted a deficit of $0.5 million, barely 0.01% of the 2009 budget which stood at more than $4 billion. (See page VII.)

This fine performance is due mainly to the recovery plan, which helped the city post net savings of $117.0 million. Thus, the plan led to savings of approximately $32.5 million in professional services, $24.0 million in non-durable goods, as well as $15.0 million in rental and maintenance costs and $16.7 million in salaries. Both the central departments and boroughs were instrumental in achieving this result, without reducing the number or quality of services provided to the community.

Declining interest rates helped us to achieve substantial savings in terms of financing. However, they were responsible for lower interest income on short-term investments. Tax revenues were $16.0 million higher than estimated, because of a larger tax base resulting from higher values and new constructions.

The city kept a steady focus on its priorities in a context requiring sound and disciplined management. It has awarded $27.0 million more than anticipated to the Société de transport de Montréal, showing once again its commitment to mass transit. An additional $23 million in financial contributions was awarded to various partner organizations.

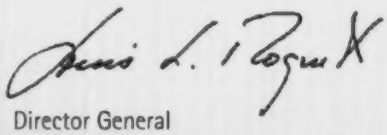
The city of Montréal has begun reviewing its processes and policies for bidding and awarding public contracts. Tighter control and greater openness will help the city achieve major projects for the development of Montréal, at the best possible cost.

Sound debt management combined with new financing measures and strategies have helped Montréal achieve the best credit ratings in its history. The great discipline used over the years by the municipal administration to manage public monies helped maintain sound public finances. The economy is now recovering, and Montréal is in good position on the capital markets.

Montrealers can face the future with confidence. Services to the community will not be affected, and the city will continue to invest in projects that are essential to the development of our metropolis, including infrastructures and major structuring plans.

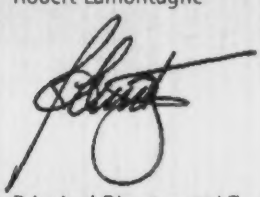
The city's rigorous management of public funds is the result of team work. We must emphasize the commitment and dedication of city personnel, who work hard to improve the quality of life of the community and for which we ought to thank them.

Louis Roquet



Director General

Robert Lamontagne



Principal Director and Treasurer

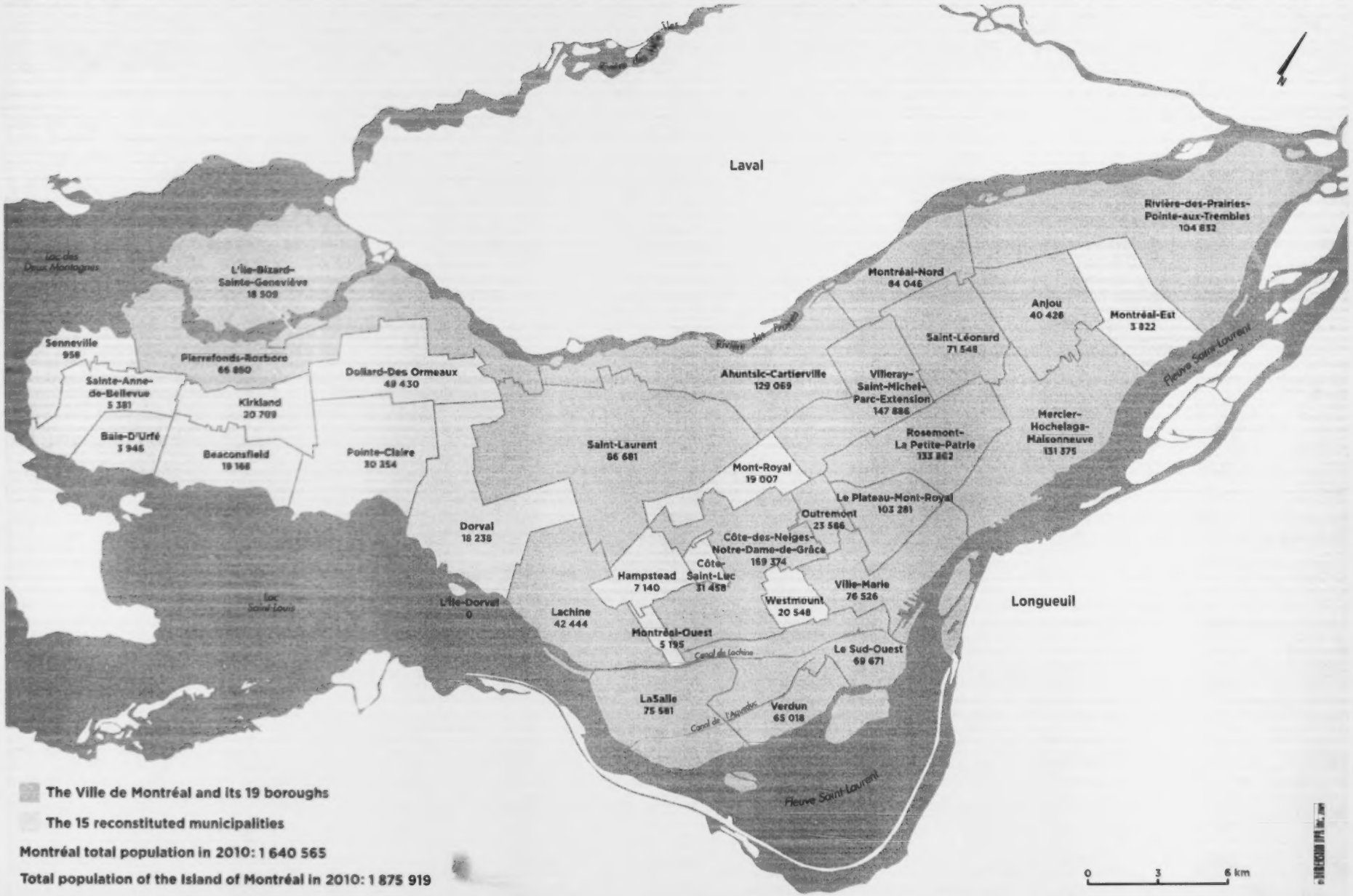
Introduction - Financial Information of the Municipal Administration
Fiscal Year Ended December 31, 2009

NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY RESPONSIBILITY *(in thousands of dollars)*

	2009								2008
	Local responsibilities		Urban agglomeration responsibilities		Eliminations		Total		Total
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Actual
Revenues									
Taxes	2 417 274	2 431 590		1 662			2 417 274	2 433 252	2 687 261
Payments in lieu of taxes	202 350	203 279		1 337			202 350	204 616	226 028
Quota shares			1 746 788	1 750 346	(1 425 238)	(1 429 851)	321 550	320 495	
Transfers	225 425	250 636	75 047	83 191			300 472	333 227	293 236
Services rendered	259 982	237 675	74 241	70 815	(38 247)	(41 217)	295 976	267 473	272 617
Fee collection	114 326	111 278	1 891	1 824			116 217	113 102	128 609
Fines and penalties	101 824	99 769	86 216	111 760			188 040	211 529	158 632
Interest	89 339	73 451	25 292	9 386			114 631	82 837	118 992
Other revenues	48 429	44 786	22 495	19 747			70 924	64 533	77 112
	3 458 949	3 452 664	2 031 970	2 050 068	(1 463 485)	(1 471 068)	4 027 434	4 031 064	3 962 487
Operating expenditures									
General administration	407 443	333 097	197 935	66 917	(38 170)	(39 122)	567 208	354 892	471 097
Public security	13 493	14 130	878 095	877 487		(297)	891 588	891 320	879 946
Transportation	335 646	315 799	381 950	411 919		(112)	717 596	727 606	787 294
Environmental hygiene	177 607	148 334	256 978	209 792		(1 536)	434 585	356 588	361 950
Health and welfare	64 352	59 282	37 923	34 740			102 275	94 022	91 975
Urban planning and development	132 222	138 211	47 227	47 289	(77)	(145)	179 372	185 355	151 175
Recreation and culture	370 906	376 258	66 417	67 340		(3)	437 323	443 587	440 029
Financing expenses	329 172	304 768	81 342	85 677			410 514	390 445	392 663
	1 830 841	1 689 871	1 947 867	1 795 161	(38 247)	(41 217)	3 740 461	3 443 815	3 576 129
Quota shares for financing urban agglomeration activities	1 425 238	1 429 851			(1 425 238)	(1 429 851)			
Surplus for the year	202 870	332 342	84 103	254 907			286 973	587 249	386 358
Financing									
Repayment of long-term debt	(224 904)	(228 235)	(120 360)	(120 243)			(345 264)	(348 478)	(319 824)
Allocations									
Capital asset activities	(5 200)	(17 056)	(4 000)	(6 795)			(9 200)	(23 851)	(12 431)
Restricted operating surplus	50 737	73 110	23 300	5 746			74 037	78 856	131 780
Financial reserves and reserved funds	(33)	(14 360)		(63 104)			(33)	(77 464)	(62 181)
Amount to be funded in the future	(23 470)	(93 737)	16 957	(123 106)			(6 513)	(216 843)	(35 734)
	22 034	(52 043)	36 257	(187 259)			58 291	(239 302)	21 434
Operating surplus (deficit) for tax purposes for the year		52 064		(52 595)				(531)	87 968

Annual Financial Report 2009

THE ISLAND OF MONTRÉAL and its population



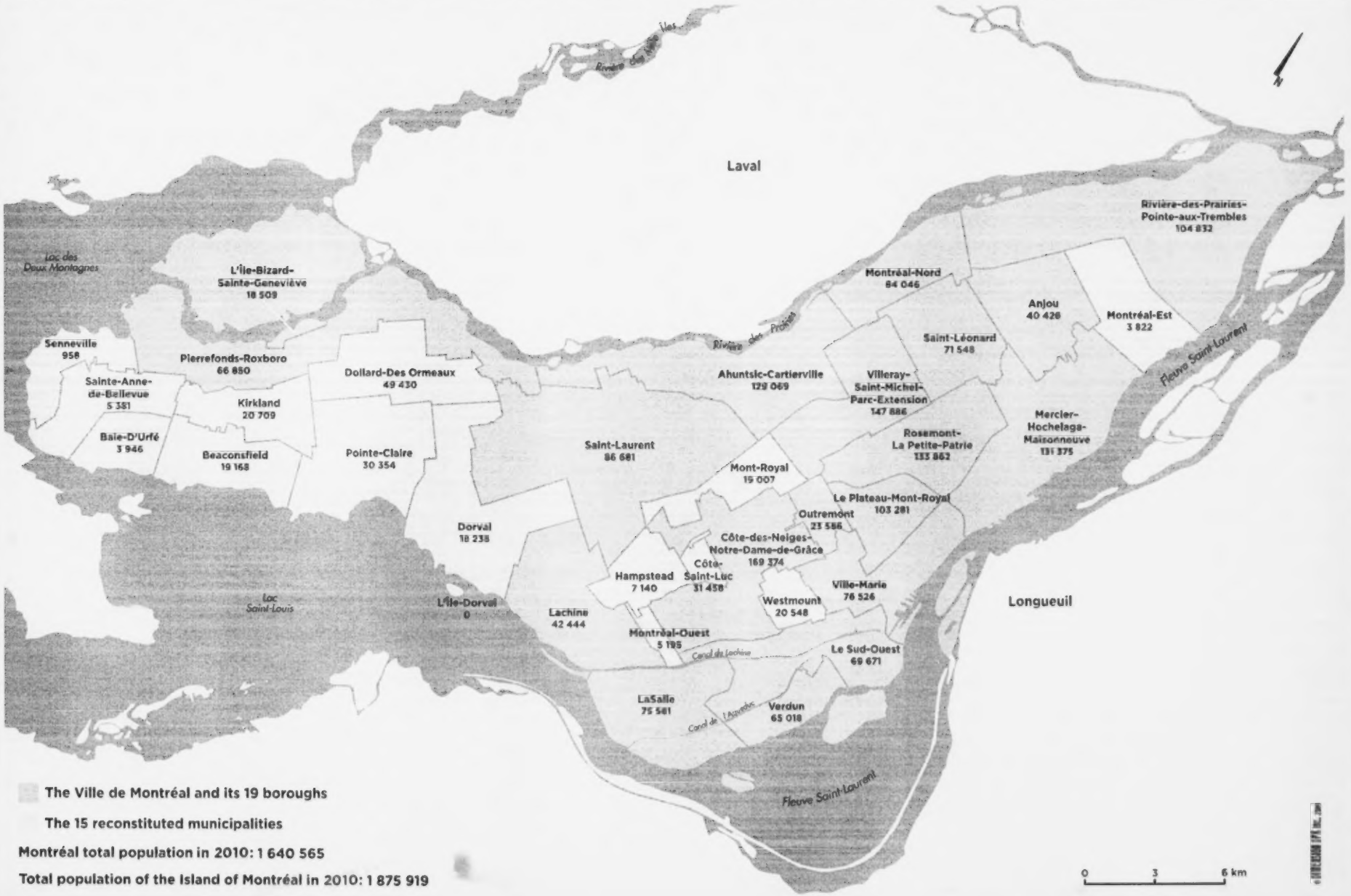
The Ville de Montréal and its 19 boroughs

The 15 reconstituted municipalities

Montréal total population in 2010: 1 640 565

Total population of the Island of Montréal in 2010: 1 875 919

THE ISLAND OF MONTRÉAL and its population



The Ville de Montréal and its 19 boroughs

The 15 reconstituted municipalities

Montréal total population in 2010: 1 640 565

Total population of the Island of Montréal in 2010: 1 875 919

Annual Financial Report **2009**

The Municipal Organization – 2009

Pursuant to the *Act respecting the exercise of certain municipal powers in certain urban agglomerations*, the city's powers of administration are divided among the urban agglomeration and local authorities. As the central city of this urban agglomeration, Montréal continues to provide services and to manage collective equipment for all island residents, within the city itself and within the 15 reconstituted municipalities. Also, Montréal has the responsibility inherent to any municipality to provide local services to the community living within its territory.

Urban Agglomeration Responsibilities

The Urban Agglomeration responsibilities or those relating to services provided to all island residents are exercised by the Urban Agglomeration Council. This municipal political entity and decision-making body holds the authority to adopt any by-law, to authorize any expenditure and to levy any quota share throughout the island of Montréal. The *Act to amend various legislative powers concerning Montréal*, adopted in June 2008, introduced changes to elements under the Urban Agglomeration's jurisdiction. These include activities relating to the arterial roads, which are now under local responsibility, except for the determination of city-wide standards for management, harmonization, overall network planning and oversight of certain repairs that remain under urban agglomeration responsibility. Furthermore, several items have been removed from the original list of equipment, infrastructure and activities of collective interest set out in the Appendix of the *Order in Council concerning the urban agglomeration of Montréal* (No. 1229-2005 and amendments), such as several large parks, cultural facilities, celebrations and festivals.

A new method for financing urban agglomeration responsibilities has been introduced by the amendments contained in the legislation. Since January 1, 2009, the 16 related municipalities on the Island of Montréal have been financing all common services under the Urban Agglomeration Council's authority through quota shares. Ville de Montréal employees are responsible for delivering these common services.

The municipalities are represented at the Urban Agglomeration Council, and their vote is proportional to their respective demographic weight. The mayor of Montréal presides over the Urban Agglomeration Council, which is made up of:

- 15 elected officials from the Montréal City Council, who are appointed by the mayor.
- 14 mayors representing the 15 reconstituted municipalities (L'Île-Dorval and Dorval have one representative).
- 1 additional representative for Dollard-Des Ormeaux, named by the mayor of this municipality.

Local Responsibilities

In accordance with the various areas of activity defined in the *Charter of Ville de Montréal*, the city's local powers are distributed among the City Council and the borough councils.

The Montréal City Council assumes its responsibilities toward local powers within the city, which now has 19 boroughs. The borough councils are responsible for delivering their local services.

The City Council is made up of the mayor of Montréal, who is ex-officio mayor of the Ville-Marie borough, and 64 city councillors, 18 of whom are borough mayors. A borough council is made up of at least five members, including the borough mayor, its one or more city councillors and any borough councillors. The 19 boroughs include 46 councillors, who also sit on the City Council, and 38 borough councillors.

The cost of local services provided on the Montréal territory is covered using revenue from local property taxes, which are paid by all Montréal taxpayers. In some cases, taxpayers in a given borough may, according to decisions by their borough council, be required to pay a borough tax for local services.

SUMMARY OF POWERS FALLING UNDER THE URBAN AGGLOMERATION COUNCIL OR THE CITY AND BOROUGH COUNCILS

Urban Agglomeration Powers	Local Powers
▸ Property assessment ▸ Police, fire and public safety services ▸ First responder services, except in Côte-Saint-Luc ▸ 9-1-1 emergency centre ▸ Implementation of fire coverage and public safety plans ▸ Municipal Court ▸ Social housing ▸ Assistance to the homeless ▸ Prevention and elimination of substance abuse and prostitution ▸ Waste disposal and reclamation, along with management of any hazardous substances ▸ Formulation and adoption of a solid waste management plan ▸ Management of municipal waterways ▸ Water supply and purification equipment and infrastructure, except local mains ▸ Public transit ▸ Definition of minimum standards for the management and general planning of the arterial road system and work on specified roadways ▸ Economic and tourist promotion outside the limits of the related municipality ▸ Tourist information services ▸ Industrial parks ▸ Conseil des arts de Montréal ▸ Equipment, infrastructure and activities of collective interest designated in the *Order in Council concerning the urban agglomeration of Montréal* (No. 1229-2005 and modifications) ▸ Contribution for financing Montréal's Nature Museums deficit ▸ Any other responsibilities formerly under the jurisdiction of an urban community in the event that the city took the place of the latter	▸ Urban planning ▸ Building, public nuisance and public health regulations ▸ Housing ▸ Fire protection and emergency preparedness ▸ Waste collection and transportation ▸ Local and arterial road management ▸ Local water mains and sewer lines ▸ Local sports and recreational facilities ▸ Local libraries ▸ Local parks ▸ Local, economic, community and social development ▸ Heritage ▸ The Commission des services électriques (electrical services commission) ▸ The Sociétés de développement commercial (SDCs) ▸ Industrial parks listed in by-law RCG-06-020 ▸ Election organization

Montreal
action

Consolidated Financial information

2009

Management Responsibility for Financial Reporting

The consolidated financial statements in this report have been prepared in accordance with generally accepted accounting principles applicable to local governments and recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, as described in Note 2 of the consolidated financial statements.

The consolidated financial statements and all other information in this annual financial report are the responsibility of management. Management has also ensured consistency between the consolidated financial statements and all other information disclosed in the annual financial report.

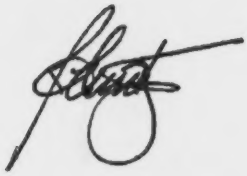
To assess certain facts and operations, management has made estimates based on its best judgment of the situation and by taking into account materiality.

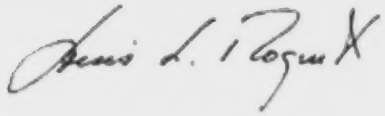
Management is responsible for maintaining appropriate internal control and accounting systems that provide reasonable assurance that the city's policies are adopted, that its operations are carried out in accordance with the appropriate laws and authorizations, that its assets are adequately safeguarded, and that the consolidated financial statements are based on reliable accounting records.

The city's powers and responsibilities are exercised either by the Urban Agglomeration Council, the City Council, or by the borough councils.

The Audit Committee is made up of seven members, two of which are members of the council representing the reconstituted municipalities and two are external members. Its responsibilities include overseeing financial reporting and presentation procedures, which includes reviewing the consolidated financial statement and other information contained in this annual financial report.

The General Auditor of Montréal and the external auditors, Samson Bélair/Deloitte & Touche s.e.n.c.r.l., have audited the consolidated financial statements and presented the following reports.





Robert Lamontagne, CA, MBA
Senior Director and Treasurer

Louis Roquet
Director General

Montréal, March 26, 2010

Montréal

Bureau du vérificateur général
1550, rue Metcalfe
Bureau 1201
Montréal (Québec) H3A 3P1

REPORT OF THE GENERAL AUDITOR OF MONTRÉAL

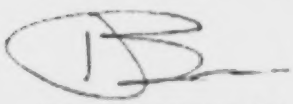
To the Mayor,
The Chairman and the Members of the Executive Committee,
The Members of the Council of the Ville de Montréal,
The Members of the Montréal Agglomeration Council

I have audited the consolidated statement of financial position of Ville de Montréal (the City) as at December 31, 2009 and the consolidated statements of operations, change in net debt, and cash flow for the year then ended. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2009 and the results of its operations, the change in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

General Auditor of Montréal,



Jacques Bergeron, CA auditor

Montréal, March 26, 2010

Deloitte.

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.
1 Place Ville Marie
Suite 3000
Montréal QC H3B 4T9
Canada

Tel: 514-393-7115
Fax: 514-390-4111
www.deloitte.ca

External auditors' report

To the Mayor,
the Chairman and the Members of the Executive Committee,
the Members of the Council of Ville de Montréal,
the Members of the Montréal Agglomeration Council

We have audited the consolidated statement of financial position of Ville de Montréal (the "City") as at December 31, 2009 and the consolidated statements of operations, of change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2009 and the results of its operations, the change in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.[1]

March 26, 2010

[1] Chartered accountant auditor permit No. 18190

Annual Financial Report 2009

Consolidated Statement of Financial Position
As at December 31, 2009

	Note	2009	2008 (Note 3)
		(in thousands of dollars)	
FINANCIAL ASSETS			
Cash and temporary investments	4	409,199	379,304
Investments	4	1,594,539	1,636,536
Accounts receivable	5	2,580,279	2,529,682
Assets held for sale		5,200	5,120
Loans	6	40,083	45,170
		4,629,300	4,595,812
LIABILITIES			
Temporary loans	7	136,779	318,154
Accounts payable, provisions and accrued liabilities	8	1,523,690	1,405,723
Deferred revenues	9	92,936	138,569
Long-term debt	10	8,009,399	7,638,384
Employee future benefits liability	11	188,617	420,662
		9,951,421	9,921,492
NET DEBT		(5,322,121)	(5,325,680)
NON-FINANCIAL ASSETS			
Capital assets	12	9,454,457	8,838,470
Assets held for sale		88,602	110,328
Inventories		61,532	59,909
Other non-financial assets	13	73,951	73,337
		9,678,542	9,082,044
ACCUMULATED SURPLUS	14	4,356,421	3,756,364
Commitments and contingencies	18		

See the accompanying notes and tables.

Consolidated Statement of Operations
Fiscal Year Ended December 31, 2009

(in thousands of dollars)

	Note	2009 Budget	2009 Actual	2008 Actual (Note 3)
Revenues				
Taxes		2,406,185	2,422,084	2,676,072
Payments in lieu of taxes		202,350	204,616	226,028
Quota shares		321,550	320,495	
Transfers	15	1,139,683	898,590	620,952
Services rendered		825,135	787,115	791,002
Fee collection		116,217	113,102	128,609
Fines and penalties		188,040	211,529	158,632
Interest	16	114,631	89,928	125,015
Other revenues		175,178	163,179	164,899
		5,488,969	5,210,638	4,891,209
Expenditures				
General administration		581,023	358,741	471,413
Public security		910,978	915,206	901,219
Transportation	1	1,547,046	1,529,980	1,551,576
Environmental hygiene		554,607	485,109	477,251
Health and welfare		142,118	136,516	131,150
Urban planning and development		206,794	210,792	184,685
Recreation and culture		522,188	517,666	507,157
Financing expenses		502,733	456,571	455,990
		4,967,487	4,610,581	4,680,441
Surplus for the year		521,482	600,057	210,768
Accumulated surplus at beginning of year				
Balance of accumulated surplus at beginning of year previously reported			2,995,381	2,794,600
Adjustment (Note 3)			760,983	750,996
			3,756,364	3,545,596
Accumulated surplus at end of year			4,356,421	3,756,364

See the accompanying notes and tables.

Consolidated Statement of the Change in Net Debt
Fiscal Year Ended December 31, 2009

(in thousands of dollars)

	2009		2008
	Budget	**Actual**	**Actual**
			(Note 3)
Surplus for the year	**521,482**	**600,057**	210,768
Change in capital assets			
Acquisition	**(1,777,135)**	**(1,287,462)**	(1,080,462)
Proceeds from sale	**16,351**	**11,434**	10,747
Amortization	**537,715**	**582,442**	510,936
(Gain) loss on sale	**(5,366)**	**77,599**	11,757
	(1,228,405)	**(615,987)**	(547,022)
Change in assets held for sale	**5,120**	**21,726**	(22,834)
Change in inventories		**(1,623)**	(8,272)
Change in other non-financial assets		**(614)**	(17,973)
	5,120	**19,489**	(49,079)
Change in net debt	**(701,803)**	**3,559**	(385,333)
Net debt at beginning of year	**(5,325,680)**	**(5,325,680)**	(4,940,347)
Net debt at end of year	**(6,027,483)**	**(5,322,121)**	(5,325,680)

See the accompanying notes and tables.

Consolidated Statement of Cash Flows
Fiscal Year Ended December 31, 2009

	(in thousands of dollars)	
	2009	2008
		(Note 3)
Operating activities		
Surplus for the year	600,057	210,768
Items not affecting cash		
Amortization of capital assets	582,442	510,936
Loss on sale of capital assets	77,599	11,757
Other	(5,882)	2,701
	1,254,216	736,162
Change in non-cash items		
Accounts receivable	(59,130)	(46,507)
Loans	5,087	(14,856)
Accounts payables, provisions, and accrued liabilities	117,967	157,540
Deferred revenues	(47,448)	2,867
Employee future benefits liability	(232,045)	132,623
Inventories	(1,623)	(8,272)
Other non-financial assets	(614)	(17,973)
	1,036,410	941,584
Capital investing activities		
Acquisition of capital assets	(1,287,462)	(1,080,462)
Proceeds from sale of capital assets	11,434	10,747
	(1,276,028)	(1,069,715)
Other investing activities		
Acquisition of investments	(335,063)	(414,304)
Proceeds from sale of investments	377,060	257,246
Net change in assets held for sale	21,646	(23,174)
	63,643	(180,232)
Financing activities		
Proceeds from long-term debt	914,500	815,235
Repayment of long-term debt, net of refinancings	(467,715)	(609,080)
Bond redemption by refinancing	(59,540)	(195,844)
Net change in temporary loans	(181,375)	205,014
	205,870	215,325
Increase (decrease) in cash and cash equivalents	29,895	(93,038)
Cash and cash equivalents at beginning of year	379,304	472,342
Cash and cash equivalents at end of year	409,199	379,304

Cash and cash equivalents consist of cash and temporary investments of 90 days or less from the acquisition date.

See the accompanying notes and tables.

Segment Disclosures
As at December 31, 2009

SCHEDULE 1 – CONSOLIDATED FINANCIAL POSITION BY ORGANIZATION *(in thousands of dollars)*

	2009				2008
	Municipal administration	Controlled organizations	Eliminations	Total	Total
					(Note 3)
FINANCIAL ASSETS					
Cash and temporary investments	374,290	34,909		**409,199**	379,304
Investments	1,425,362	169,177		**1,594,539**	1,636,536
Accounts receivable	1,798,252	815,665	(33,638)	**2,580,279**	2,529,682
Assets held for sale	5,200			**5,200**	5,120
Loans	3,423	36,660		**40,083**	45,170
	3,606,527	1,056,411	(33,638)	**4,629,300**	4,595,812
LIABILITIES					
Temporary loans		136,779		**136,779**	318,154
Accounts payable, provisions and accrued liabilities	1,269,026	288,302	(33,638)	**1,523,690**	1,405,723
Deferred revenues	88,654	4,282		**92,936**	138,569
Long-term debt	6,643,638	1,377,981	(12,220)	**8,009,399**	7,638,384
Employee future benefits liability	183,984	4,633		**188,617**	420,662
	8,185,302	1,811,977	(45,858)	**9,951,421**	9,921,492
NET DEBT	(4,578,775)	(755,566)	12,220	(5,322,121)	(5,325,680)
NON-FINANCIAL ASSETS					
Capital assets	7,315,059	2,139,398		**9,454,457**	8,838,470
Assets held for sale	63,134	25,468		**88,602**	110,328
Inventories	27,307	34,225		**61,532**	59,909
Other non-financial assets	58,187	27,984	(12,220)	**73,951**	73,337
	7,463,687	2,227,075	(12,220)	**9,678,542**	9,082,044
ACCUMULATED SURPLUS					
Unrestricted operating surplus (deficit)	11,765	(3,128)		**8,637**	66,098
Restricted operating surplus	210,830	6,820		**217,650**	237,242
Financial reserves and reserved funds	165,416	4,914		**170,330**	122,604
Deficit from capital asset activities	(443,487)	(18,843)	(6,412)	**(468,742)**	(329,001)
Amount to be funded in the future	(1,234,300)	(43,549)	6,412	**(1,271,437)**	(1,593,857)
Net investment in capital assets	4,174,688	1,525,295		**5,699,983**	5,253,278
	2,884,912	1,471,509		**4,356,421**	3,756,364

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2009

SCHEDULE 2 – CONSOLIDATED ITEMIZED OPERATIONS BY ORGANIZATION *(in thousands of dollars)*

	2009				2008
	Municipal administration	Controlled organizations	Eliminations	Total	Total (Note 3)
Revenues					
Operating					
Taxes	2,433,252		(11,168)	**2,422,084**	2,676,072
Payments in lieu of taxes	204,616			**204,616**	226,028
Quota shares	320,495	350,942	(350,942)	**320,495**	
Transfers	333,227	94,760		**427,987**	368,065
Services rendered	267,473	537,800	(18,158)	**787,115**	791,002
Fee collection	113,102			**113,102**	128,609
Fines and penalties	211,529			**211,529**	158,632
Interest	82,837	7,091		**89,928**	125,015
Other revenues	60,557	112,046	(34,813)	**137,790**	151,934
	4,027,088	1,102,639	(415,081)	**4,714,646**	4,625,357
Capital Assets					
Quota shares		8,483	(8,483)		
Transfers	248,729	221,874		**470,603**	252,887
Other revenues					
Developers' contributions	19,749			**19,749**	7,345
Other	5,640			**5,640**	5,620
	274,118	230,357	(8,483)	**495,992**	265,852
	4,301,206	1,332,996	(423,564)	**5,210,638**	4,891,209
Expenditures					
General administration	364,540		(5,799)	**358,741**	471,413
Public security	915,206			**915,206**	901,219
Transportation	999,777	908,560	(378,357)	**1,529,980**	1,551,576
Environmental hygiene	485,471		(362)	**485,109**	477,251
Health and welfare	95,069	47,847	(6,400)	**136,516**	131,150
Urban planning and development	212,228	8,311	(9,747)	**210,792**	184,685
Recreation and culture	514,065	26,500	(22,899)	**517,666**	507,157
Financing expenses	390,445	66,126		**456,571**	455,990
	3,976,801	1,057,344	(423,564)	**4,610,581**	4,680,441
Surplus for the year	324,405	275,652		**600,057**	210,768

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2009

SCHEDULE 3 – RECONCILIATION OF THE CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY ORGANIZATION

(in thousands of dollars)

	2009					2008
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total (Note 3)
Surplus for the year	521,482	324,405	275,652		**600,057**	210,768
Less: revenues from capital asset activities	(741,228)	(274,118)	(230,357)	8,483	**(495,992)**	(265,852)
Operating surplus (deficit) before reconciliation for tax purposes for the year	(219,746)	50,287	45,295	8,483	**104,065**	(55,084)
Reconciliation for tax purposes						
Capital assets						
Proceeds from sale	16,381	3,976	7,458		**11,434**	10,747
Amortization	537,715	455,942	126,500		**582,442**	510,936
(Gain) loss on sale	(5,366)	77,044	555		**77,599**	11,757
	548,730	536,962	134,513		**671,475**	533,440
Financing						
Repayment of long-term debt	(411,283)	(348,478)	(60,373)		**(408,851)**	(401,719)
Allocations						
Capital asset activities	(16,470)	(23,851)	(8,586)	(2,071)	**(34,508)**	(29,133)
Unrestricted operating surplus	1,824					
Restricted operating surplus	78,072	78,856	3,856		**82,712**	133,525
Financial reserves and reserved funds	(2,092)	(77,464)	(1,377)		**(78,841)**	(63,558)
Amount to be funded in the future	30,577	(216,843)	(99,165)	(6,412)	**(322,420)**	(27,220)
	91,911	(239,302)	(105,272)	(8,483)	**(353,057)**	13,614
Operating surplus (deficit) for tax purposes for the year	9,612	(531)	14,163		**13,632**	90,251

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2009

SCHEDULE 4 – RECONCILIATION OF CONSOLIDATED DEFICIT OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY ORGANIZATION *(in thousands of dollars)*

	2009					2008
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total (Note 3)
Revenues from capital asset activities	741,228	274,118	230,357	(8,483)	495,992	265,852
Reconciliation for tax purposes						
Capital Assets						
acquisition						
General administration	(59,035)	(22,474)			(22,474)	(53,191)
Public security	(41,540)	(41,826)			(41,826)	(37,507)
Transportation	(982,642)	(304,116)	(367,863)		(671,979)	(605,624)
Environmental hygiene	(384,794)	(299,779)			(299,779)	(166,145)
Health and welfare	(3,000)	(1,591)	(1,691)		(3,282)	(6,704)
Urban planning and development	(77,445)	(82,650)	(266)		(82,916)	(88,626)
Recreation and culture	(228,679)	(165,053)	(153)		(165,206)	(122,665)
	(1,777,135)	(917,489)	(369,973)		(1,287,462)	(1,080,462)
Financing						
Long-term financing of capital asset activities	944,246	428,870	149,263		578,133	573,705
Allocations						
Operating activities	16,470	23,851	8,586	2,071	34,508	29,133
Unrestricted operating surplus		(69)			(69)	
Restricted operating surplus	40,100	8,226			8,226	4,181
Financial reserves and reserved funds	35,091	30,929			30,929	29,467
	91,661	62,937	8,586	2,071	73,594	62,781
Surplus (deficit) from capital asset activities for tax purposes for the year		(151,564)	18,233	(6,412)	(139,743)	(178,124)

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2009

SCHEDULE 5 – CONSOLIDATED EXPENDITURES BY ITEM AND BY ORGANIZATION *(in thousands of dollars)*

	2009				2008
	Municipal administration	Controlled organizations	Eliminations	Total	Total (Note 3)
Remuneration					
Elected officials	9,200	317		**9,517**	10,043
Employees	1,380,703	554,636		**1,935,339**	1,874,155
Employer contributions					
Elected officials	3,062	23		**3,085**	4,170
Employees	299,609	45,313		**344,922**	564,328
Transportation and communication	45,074	88,138		**133,212**	122,874
Professionnal, technical and other services					
Professional fees	51,681	16,592		**68,273**	72,152
Purchase of technical services	235,784	24,376	(11,521)	**248,639**	298,200
Other	2,841	147		**2,988**	3,811
Leasing, maintenance and repair					
Leasing	77,269	11,017	(14,461)	**73,825**	89,757
Maintenance and repair	58,673	23,407		**82,080**	84,231
Durable goods					
Construction	9,026	4,932		**13,958**	14,483
Other durable goods	15,537	383		**15,920**	5,364
Non-durable goods					
Delivery of public services	81,808	35,731	(5,098)	**112,441**	114,819
Other non-durable goods	130,085	41,047		**171,132**	201,356
Financing expenses					
Interest and other charges on long-term debt borne by:					
The municipality	277,789	27,674		**305,463**	284,123
Government of Québec and its enterprises	83,370	29,675		**113,045**	124,226
Other third parties	26,996	4,679		**31,675**	38,598
Other financing expenses	2,290	4,098		**6,388**	9,043
Contributions to organizations					
Municipal organizations					
Société de transport de Montréal	359,425		(359,425)		
Montréal Metropolitan Community	29,661			**29,661**	26,554
Reconstituted municipalities	1,565			**1,565**	14,218
Other	22,865		(22,770)	**95**	144
Government organizations					
Agence métropolitaine de transport	40,613			**40,613**	36,011
Other	9,380			**9,380**	10,395
Other organizations	100,897	9,779	(3,119)	**107,557**	91,136
Amortization of capital assets	455,942	126,500		**582,442**	510,936
Loss on sale of capital assets	77,044	555		**77,599**	11,757
Other items					
Doubtful accounts or bad debts	43,839	88		**43,927**	(15,227)
Other	44,773	8,237	(7,170)	**45,840**	78,784
	3,976,801	1,057,344	(423,564)	**4,610,581**	4,680,441

See the accompanying notes and tables.

Annual Financial Report 2009

Notes and Tables to the Consolidated Financial Statements
December 31, 2009

1- GOVERNING STATUTE

Ville de Montréal (the City) is a municipal corporation incorporated on January 1, 2002 under the *Charter of the City of Montréal* (R.S.Q., chapter C-11-4).

On January 1, 2006, following the results of a referendum held in 2004 under *An Act regarding public consultation on the territorial reorganization of certain municipalities* (S.Q. 2003, chapter 14), the former municipalities of Baie-d'Urfé, Beaconsfield, Côte-Saint-Luc, Dollard-Des-Ormeaux, Dorval, Hampstead, Kirkland, Île-Dorval, Montréal-Est, Montréal-Ouest, Ville Mont-Royal, Pointe-Claire, Sainte-Anne-de-Bellevue, Village de Senneville and Westmount were reconstituted. As a result, Ville de Montréal now consists of 19 remaining boroughs that comprise 87% of the total population of the island of Montréal. In accordance with the provisions of this Act, all municipalities located on the island of Montréal, however, remain related to one another and form an agglomeration consistent with the territory of Ville de Montréal as it existed on December 31, 2005.

An Act respecting the exercise of certain municipal powers in certain urban agglomerations (R.S.Q., chapter E-20.001), completed by the *Montréal Agglomeration Order* (Order-in-Council No. 1229-2005), and its amendments lists and defines the powers of the urban agglomeration. Under this Act, Ville de Montréal is the central municipality in charge of exercising, in addition to its local powers, the powers of the agglomeration.

The agglomeration is headed by the City's Urban Agglomeration Council, a political and decision-making body vested with decision-making powers related to urban agglomeration responsibilities. The Urban Agglomeration Council is a central municipal legislative body, separate from city council under Section 14 of the Charter of the City of Montréal. It is made up of representatives of each related municipality, with the number of representatives of each municipality being determined proportionately to the relative size of their populations.

In 2008, the adoption of An *Act to amend various legislative provisions concerning the urban agglomeration of Montréal* (R.S.Q., chapter 19) particularly affected the Urban Agglomeration Council's exclusive jurisdiction over the arterial road system. Under this Act, as of January 1, 2009, ownership of this road system, of a carrying value of $79.3 million as of this date, was returned, without financial compensation to the City, to the reconstituted municipalities with respect to the roads located on their territories. In this respect, a lost on disposal was recognized as transportation expenses in the Consolidated Statement of Operations. In addition, any debt on work carried out on the road system by Ville de Montréal between January 1, 2006 and December 31, 2008 is financed by a quota share required from the related municipalities with respect to the territory on which the work is carried out.

2- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to local governments and recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

The term "City," as used in the segment disclosures, accompanying notes and tables, refers to the entity made up of Ville de Montréal and the organizations under its control. The term "municipal administration" refers to Ville de Montréal excluding the organizations under its control.

The significant accounting policies are as follows:

a) Principles of consolidation

The consolidated financial statements include the accounts of the City and of the organizations under its control. These organizations include the Société de transport de Montréal, the Société d'habitation et de développement de Montréal, the Montréal Technoparc, the Société du parc Jean-Drapeau, the Conseil des arts de Montréal, the Conseil interculturel de Montréal, the Office de consultation publique de Montréal, the Société de gestion NauBerges de Lachine, and Anjou 80. Transactions concluded between these organizations and reciprocal balances are eliminated.

b) Accounting method

Transactions are recorded in the City's books using the accrual basis of accounting. Under this method, assets, liabilities, revenues and expenditures are recognized in the year in which the events and transactions occur.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of estimates

Preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make assumptions and estimates that affect the reported amounts of revenues, expenditures, assets, liabilities, and commitments and contingencies. Actual results could differ from these estimates.

The main estimates made relate to the following items: the allowance for doubtful accounts, the net realizable values of assets held for sale, the estimated useful lives of capital assets, provisions for salaries, liabilities for solid waste landfill closure and post-closure costs, contested valuations and legal claims and actuarial assumptions for establishing employee future benefit costs and obligations.

d) Investments

Temporary investments are recorded at the lower of cost and fair value.

Other investments are recorded at cost and written down when there is a permanent decline in value. Discounts or premiums on investments are amortized on a straight-line basis until maturity. Amounts accumulated in "Investments – Sinking Fund" are restricted to the repayment of long-term loans that do not require annual repayment.

e) Assets held for sale

Assets held for sale are recorded at the lower of cost and net realizable value. The portion of these assets held for selling purposes for the subsequent year is presented in financial assets.

f) Loans

Loans are presented at cost. Loans with significant concessionary terms are presented at face value discounted by the amount of the grant portion. The discount is amortized over the term of the loan using the effective interest method.

g) Provision for contested valuations

The provision for contested valuations is an estimate of refunds (both principal and interest) that may result from court decisions on contested real estate valuations or rental values and on contested classifications under the *Act respecting Municipal Taxation*.

h) Deferred revenues

Premiums on the issuance of securities are amortized over the terms of the related loans, and the deferred revenues resulting from the sale of a concession are amortized on a straight-line basis over the term of the agreement. Unrealized net foreign exchange gains are amortized using the method described in Note 2 r).

i) Other non-financial assets

The City records capital assets and other non-financial assets as assets since they can be used to provide services in subsequent years. These assets do not usually provide resources assigned to the settlement of its liabilities unless they are sold.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the following useful lives:

Infrastructures	15 to 40 years
Metro system	15 to 100 years
Buildings	25 to 40 years
Leasehold improvements	5 to 15 years
Vehicles	5 to 20 years
Office furniture and equipment	5 to 10 years
Machinery, tools and equipment	5 to 25 years
Other	20 to 25 years

Capital assets in the process of completion are only amortized when they can be used in the production of goods or in the provision of services.

Land used as road foundations, otherwise acquired by a purchase contract, is recorded at a nominal value of $1. Other land is recorded at cost. When the cost cannot be traced, it is estimated.

k) Inventories

Inventories are recorded at cost, which is determined using the average cost method. Obsolete inventory is written off.

l) Other non-financial assets

Securities issuance costs are amortized on a straight-line basis over the terms of the related borrowings.

m) Quota shares

The expenditures incurred by the City in exercising urban agglomeration responsibilities are invoiced to the municipalities related to the agglomeration. Revenues from this invoicing, recorded as quota shares in the Statement of Operations (as tax revenues for 2008), are recognized in the year in which they occur.

n) Transfer revenues

Transfer revenues are recorded in the Statement of Operations when the related operating and capital expenditures are recorded, provided that the City meets the eligibility criteria.

o) Employee future benefits costs and obligations

- Defined benefit plans

Plan liabilities reflect the year-end difference existing between the value of the accrued benefit obligations and the value of plan assets, net of unamortized actuarial gains and losses and the valuation allowance. The actuarial valuation of these liabilities is determined using the projected benefit method prorated on years of service with salary projection. It is also based on actuarial assumptions that include management's best estimates on, among other things, discount rates, the expected rate of return on plan assets, and the rate of compensation increase and healthcare costs.

Plan assets are valued using a market-related value, determined over a period not exceeding five years.

Past service costs related to plan amendments are recognized in the year during which the amendments are made.

Actuarial gains and losses resulting from the difference between the actual and the expected rate of return on plan assets or resulting from changes in actuarial assumptions are deferred and amortized over the average remaining service life of active employees. As at December 31, 2009, this average remaining service life varied from 4 to 16 years.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

- Defined contribution plans and pension plan for elected officials

The pension expense for these plans is recognized when contributions are due.

p) Liabilities for solid waste landfill closure and post-closure costs

The City records a liability for closure and post-closure costs of solid waste landfills that it has operated. The liability provision for these costs is an estimate of the costs required to provide final cover for closed landfills and to monitor and maintain the biogas and leachate collection and treatment systems for an estimated period of 20 years. These estimated costs are recognized based on the landfill capacity already used.

The assumptions used to calculate these costs are periodically reviewed to account for advancements made in solid waste landfill management practices.

q) Environmental obligations

The City records an environmental liability when it is likely that corrective measures will be applied and the costs of these measures can be reasonably estimated.

r) Foreign currency translation

Revenues and expenditures related to foreign currency transactions are translated into Canadian dollars using the exchange rates in effect on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates in effect on the reporting date, and foreign exchange gains or losses are immediately charged to the Statement of Operations if they are short-term cash items.

Loan repayments and payments to the Sinking Fund, with respect to loans denominated in foreign currencies that are not subject to a hedge against currency exposure, are translated using the exchange rates in effect on the transaction dates. For these loans, gains and losses resulting from the difference between the original conversion rate and conversion rate used on the repayment or payment date are recorded in the Statement of Operations.

The foreign exchange gain or loss resulting from a long-term monetary item denominated in a foreign currency but not subject to a hedge against currency exposure is recognized in the Statement of Financial Position as a deferred item and charged to the Statement of Operations using the straight-line method over the remaining term of the loans.

s) Derivative financial instruments

The City uses derivative financial instruments to reduce its currency and interest rate risk exposure on long-term debt and applies hedge accounting in its eligible hedging relationships in order to benefit from hedge accounting. When implemented, the foreign exchange hedging relationships must be fully documented as required under standard PS 2600, Foreign Currency Translation, and the City must secure efficient relationships for managing the attendant risks. Then the current hedging relationships are evaluated on an annual basis to ensure that they continue to be efficient, and it is expected that they will remain efficient. The efficiency of a hedging relationship is generally evaluated by analyzing whether the main terms of the swap match those of the debt covered. The City does not use financial instruments for trading or speculative purposes.

The City uses cross-currency swaps to manage the risk associated with loans denominated in foreign currencies. The value of currency swaps is determined by applying the change between the foreign exchange rates stipulated in the swap contracts and exchange rates in effect on the reporting date to the notional amounts of the swaps. Those that constitute financial assets are deducted from long-term debt, and those that constitute financial liabilities are added to long-term debt. Gains and losses on these derivatives are recognized in the same period as the exchange gains and losses related to the corresponding debt and are charged against the latter.

Furthermore, the City uses interest rate swaps to manage interest rate risk related to its debt. These contracts result in interest exchanges that are recorded as an adjustment to financing expenses for the year. The amounts payable to counterparties or receivable from counterparties are recorded as an adjustment to the accrued interest on the corresponding debt; otherwise, the value of the interest rate swap contracts is not recorded in the Statement of Financial Position.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Urban agglomeration responsibilities

Under an *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (R.S.Q., chapter E-20.001), the City, in addition to its local powers, exercises agglomeration powers over the entire territory of related municipalities. The main agglomeration powers cover the following areas: municipal assessments; public transit; certain functions related to the thoroughfares forming the arterial road system; water supply and water purification; disposal and reclamation of residual materials; municipal watercourses; police, emergency preparedness, fire protection and first responder services (except for the territory of the municipality of Côte-Saint-Luc); the municipal court; social housing and assistance to the homeless; and certain components of economic development. Tables 1 and 2 provide a breakdown of the operating activities and capital asset surplus (deficit) for tax purposes according to both local and agglomeration responsibilities.

u) Sectorization and presentation of operations

The City's financial position, operations, operating and capital asset surplus (deficit) for the year for tax purposes, and by-item expenditures are broken down between the following sectors: municipal administration and controlled organizations.

Expenditures are broken down as follows:

The "General administration" item refers to all municipal administration and management activity. Expenditures relate primarily to council activities, applications of the law, and financial, administrative and staff management.

The "Public security" item refers to all activities involving the protection of people and property. It includes all expenditures related to control, prevention and emergency measures regarding emergency preparedness.

The "Transportation" item refers to all activities related to planning, organizing and maintaining road systems and to the transportation of people and goods.

The "Environmental hygiene" item refers to all expenditures related to water, sewers, waste removal, and environmental protection.

The "Health and welfare" item refers to all community health and welfare services.

The "Urban planning and development" item refers to the development and maintenance of the urban development plan or city plan as well as all expenditures related to developing the City's economic development programs.

The "Recreation and culture" item refers to all the planning, organizing, and managing of recreational and cultural programs.

The "Financing expenses" item refers to the interest and other charges involved in financing.

v) Budget information

The Consolidated Statement of Operations and the Consolidated Statement of Change in Net Debt include a comparison with consolidated budget data, adjusted in accordance with generally accepted accounting principles applicable to local governments. The consolidated budget is prepared by combining the unconsolidated budget adopted by the municipal administration with the budgets adopted by the main controlled organizations, after eliminating reciprocal transactions.

A comparison with the unconsolidated budget, adopted in December 2008 by the city council and the Urban Agglomeration Council, is also presented in the schedules and tables prepared for tax purposes.

Notes and Tables to the Consolidated Financial Statements (continued)
December 31, 2009

3- ACCOUNTING CHANGES

On January 1, 2009, in accordance with the accounting standards in Section PS 1200, issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants applicable to local governments, the City adopted a new model for presenting financial statements based on the net debt concept. Under this model, the City now presents the following four financial statements: the Statement of Financial Position, the Statement of Operations, the Statement of Change in Net Debt and the Statement of Cash Flows.

Furthermore, the City adopted the accounting standards issued in CICA Handbook Section PS 3150, "Tangible Capital Assets." These standards require that the amortization of capital assets and the gain or loss on their disposal be expensed in and that the acquisition cost from capital assets and the proceeds from disposal be excluded from the Statement of Operations. Under the recommendations of this section, the City will now be presenting, in a separate class, the cost of land, which is no longer amortized. The impact of these accounting changes, applied retroactively with a restatement to the prior year financial statements, is presented in the table below:

(in thousands of dollars)	Before restatement	Restatement		After restatement
Year ended December 31, 2008				
Consolidated Statement of Operations				
Revenues	4,904,106	(12,897)		4,891,209
Expenditures	5,233,977	(553,536)		4,680,441
Surplus (deficit) for the year	(329,871)	540,639	(1)	210,768
Consolidated Statement of Cash Flows				
Operating activities	(128,131)	1,069,715		941,584
Investing activities in capital assets		(1,069,715)		(1,069,715)
As at December 31, 2008				
Consolidated Statement of Financial Position				
Non-financial assets				
Capital assets	8,077,487	760,983		8,838,470
Accumulated surplus	2,995,381	760,983		3,756,364

(1) As at December 31, 2008, the accumulated surplus increased by only $9.9 million.

4- CASH AND INVESTMENTS
(in thousands of dollars)

	2009			2008
	Sinking Fund	Other	Total	Total
Cash and temporary investments				
Cash		20,310	20,310	2,684
Temporary investments		388,889	388,889	376,620
		409,199	409,199	379,304
Investments				
Term deposits and other securities	160,067	192,827	352,894	509,853
Bonds and debentures	1,231,244	10,401	1,241,645	1,126,683
	1,391,311	203,228	1,594,539	1,636,536

Temporary investments with a term of 90 days or less effective on the acquisition date, essentially include notes, bankers' acceptances and deposit certificates. They bear interest at rates varying between 0.25% and 0.42% (1% and 4.57% in 2008).

Notes and Tables to the Consolidated Financial Statements (continued)
December 31, 2009

4- CASH AND INVESTMENTS (continued)
(in thousands of dollars)

As at December 31, 2009, the fair value of investments was $1 748.8 million ($1,687.4 million in 2008).

As at December 31, 2008, the Sinking Fund and other investments totalled $1,256 million and $380.5 million, respectively.

Bonds and debentures held by the City are essentially comprised of securities issued by governments and their bodies and by municipalities, school boards, CEGEPs, CLSCs and hospitals. In particular, they include City bonds totalling $140.9 million ($169.7 million in 2008).

Substantially all of the investments were denominated in Canadian dollars as at December 31, 2009 and December 31, 2008. The maturities of Sinking Fund investments held by the City are as follows:

	Term deposits and other securities	Bonds and debentures	Total	Weighted nominal interest rate
December 31, 2009				
2010	352,894	162,060	514,954	2.73%
2011		232,101	232,101	5.49%
2012		44,810	44,810	5.85%
2013		115,555	115,555	5.48%
2014		123,511	123,511	6.19%
1 to 5 years	352,894	678,037	1,030,931	4.21%
6 to 10 years		460,183	460,183	5.12%
11 to 15 years		103,425	103,425	5.29%
	352,894	1,241,645	1,594,539	
December 31, 2008				
2009	509,853	111,200	621,053	4.32%
2010		164,239	164,239	6.12%
2011		252,212	252,212	5.61%
2012		45,006	45,006	5.86%
2013		110,201	110,201	4.95%
1 to 5 years	509,853	682,858	1,192,711	4.96%
6 to 10 years		376,031	376,031	5.41%
11 to 15 years		61,269	61,269	4.77%
16 to 20 years		6,525	6,525	6.80%
	509,853	1,126,683	1,636,536	

5- ACCOUNTS RECEIVABLE
(in thousands of dollars)

	2009	2008
Taxes	75,311	78,481
Government of Canada and its enterprises	109,304	92,322
Government of Québec and its enterprises	2,078,907	2,011,223
Municipal organizations	5,904	35,977
Services rendered and other	310,853	311,679
	2,580,279	2,529,682

An allowance for doubtful accounts of $91.1 million ($56.9 million in 2008) has been deducted from accounts receivable.

Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	1,659,991	1,533,394
Municipal organizations		34,510
	1,659,991	1,567,904

The fair value of the receivables to be used to repay long-term debt is $1,769.4 million ($1,671.8 million in 2008).

Accounts receivable collected for the repayment of long-term debt, for which repayment terms were determined as at December 31, 2009, are as follows:

	Receipts	Weighted nominal interest rate	Refinancing
December 31, 2009			
2010	37,632	6.62%	26,047
2011	40,132	6.56%	23,955
2012	59,926	5.30%	35,768
2013	96,460	5.28%	50,638
2014	175,216	5.04%	70,709
1 to 5 years	409,366	5.43%	207,117
6 to 10 years	650,731	5.25%	131,145
11 to 15 years	140,326	7.18%	2,161
16 to 20 years	87,570	5.38%	6,345
	1,287,993	5.53%	346,768
December 31, 2008			
2009	95,368	5.86%	25,450
2010	67,021	6.44%	36,187
2011	69,728	6.43%	31,628
2012	91,011	5.41%	37,571
2013	85,357	5.33%	53,907
1 to 5 years	408,485	5.84%	184,743
6 to 10 years	508,317	5.28%	200,123
11 to 15 years	117,754	6.79%	2,161
16 to 20 years	86,456	5.28%	6,345
	1,121,012	5.64%	393,372

Notes and Tables to the Consolidated Financial Statements (continued)
December 31, 2009

6- LOANS
(in thousands of dollars)

	2009	2008
Loans	34,347	38,953
Balances of sales prices	5,736	6,217
	40,083	45,170

The loans, secured by mortgages in an amount of $30.9 million and maturing from 2010 to 2033, bear interest at rates varying between 0% and 9%. An amount of $4.4 million has been deducted from the value of the loans to present them at discounted face value ($4.6 million in 2008).

Balances of sales prices, which mature from 2010 to 2017, bear interest at rates varying between 0% and 9%.

As at December 31, 2009, the fair value of mortgage loans and other as well as balances of sales prices was $39.5 million ($44.7 million in 2008).

7- TEMPORARY LOANS

The City has lines of credit with different banking institutions for a total amount of $786 million. Under these agreements, amounts can be drawn in Canadian or U.S. dollars at floating rates based on the prime rates of the banking institutions. These lines of credit are not secured and are renewable annually. As at December 31, 2009, amounts drawn on the lines of credit amounted to $136.8 million ($318.2 million in 2008), bearing interest at a weighted average rate of 1.55%.

8- ACCOUNTS PAYABLE, PROVISIONS AND ACCRUED LIABILITIES
(in thousands of dollars)

	2009	2008
Trade accounts payable	496,096	440,303
Salaries, source deductions and employee benefits	537,611	460,615
Accrued interest payable on long-term debt	76,809	77,092
Provisions		
Solid waste landfill closure and post-closure costs	44,262	44,336
Contested valuations	89,949	120,185
Other	110,925	115,450
Deposits and holdbacks	68,126	44,958
Government of Québec and its enterprises	25,290	36,636
Government of Canada and its enterprises	11,737	14,060
Other	62,885	52,088
	1,523,690	1,405,723

Notes and Tables to the Consolidated Financial Statements (continued)
December 31, 2009

9- DEFERRED REVENUES
(in thousands of dollars)

	2009	2008
Premium upon issuance of securities	40,752	41,971
Sale of a concession	30,000	32,000
Transfers	2,172	47,058
Pension plan	5,295	6,106
Unrealized net foreign exchange gains	3,075	1,260
Other	11,642	10,174
	92,936	138,569

10- LONG-TERM DEBT
(in thousands of dollars)

	2009	2008
Bonds and notes		
In Canadian dollars (1)	7,724,439	7,289,913
In foreign currencies	84,499	135,950
Other long-term debt		
Obligations under capital leases	2,660	2,997
Term loans and mortgages (2)	183,913	194,949
Other	13,888	14,575
	8,009,399	7,638,384

(1) Includes the long-term debt related to repaying the net pension plan obligation totalling $1,321.1 million ($1,328.4 million in 2008).

(2) Mortgages in the amount of $59.2 million ($64.4 million in 2008) are guaranteed by properties with a carrying value of $59.4 million ($64.6 million in 2008).

The repayment of the long-term debt is allocated as follows:

	2009	2008
Chargeable to taxpayers		
Of the central municipality	2,766,458	2,839,767
Of the agglomeration	1,914,496	1,727,019
Accumulated amounts in the Sinking Fund	1,391,311	1,256,016
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	1,659,991	1,533,394
Municipal organizations		34,510
Amount recoverable through user fees	277,143	247,678
	8,009,399	7,638,384

Notes and Tables to the Consolidated Financial Statements (continued)
December 31, 2009

10- LONG-TERM DEBT (continued)
(in thousands of dollars)

The City uses currency and interest-rate swap agreements for loans totalling $750.7 million ($674.9 million in 2008). The financial liabilities associated with these swaps, which amount to $157 million ($107.4 million in 2008), are included in the long-term debt amount.

Considering the existence of these swaps, substantially all of the loans contracted by the City bear interest at a fixed rate. As at December 31, 2009, unhedged foreign exchange loans amounted to $84.5 million ($136 million in 2008) and the foreign exchange loss on these loans amounted to $17.5 million ($35 million in 2008). In this regard, an amount of $22.4 million ($29.4 million in 2008) was recorded in the Sinking Fund.

Estimated payments on long-term debt are as follows:

	2009					2008		
Maturity	Canadian dollars (1)	Foreign currencies	Maturity	Refinancing	Net maturity	Maturity	Refinancing	Net maturity
2009						540,151	98,864	441,287
2010	704,488		704,488	158,860	545,628	711,172	158,942	552,230
2011	615,299		615,299	142,533	472,766	621,959	141,726	480,233
2012	427,991	36,785	464,776	207,372	257,404	477,954	207,997	269,957
2013	587,005	47,401	634,406	302,186	332,220	613,295	302,082	311,213
2014	651,320		651,320	197,020	454,300			
1 to 5 years	2,986,103	84,186	3,070,289	1,007,971	2,062,318	2,964,531	909,611	2,054,920
6 to 10 years	2,666,523		2,666,523	724,513	1,942,010	2,464,853	735,656	1,729,197
11 to 15 years	747,306		747,306	22,333	724,973	274,504	8,333	266,171
16 to 20 years	473,238		473,238	8,172	465,066	882,396	8,172	874,224
2043	932,556		932,556		932,556	932,556		932,556
2045	119,174		119,174		119,174	119,174		119,174
Perpetuity		313	313		313	370		370
TOTAL	7,924,900	84,499	8,009,399	1,762,989	6,246,410	7,638,384	1,661,772	5,976,612

Debt summary:

	2009			2008		
	Foreign currencies	Canadian dollars	%	Foreign currencies	Canadian dollars	%
Canadian dollars (1)		7,924,900	98.95		7,502,433	98.22
U.S. dollars	35,000	36,785	0.46	67,624	82,366	1.08
Swiss Francs	46,700	47,401	0.59	46,700	53,215	0.70
Pounds Sterling	183	313	0.00	192	370	0.00
		8,009,399	100.00		7,638,384	100.00

(1) Including loans contracted in foreign currencies that are subject to hedging.

10- LONG-TERM DEBT (continued)
(in thousands of dollars)

Interest rates

The interest rates shown in the table take into account the nominal interest rate and impact of interest rate swaps.

	2009			2008
Maturity	Canadian dollars	Foreign currencies	Weighted average	Weighted average
1 to 5 years	5.72%	3.66%	5.67%	6.02%
6 to 10 years	5.08%		5.08%	5.04%
11 to 15 years	5.84%		5.84%	6.00%
16 to 20 years	5.05%		5.05%	5.41%
2043	6.00%		6.00%	6.00%
2045	6.00%		6.00%	6.00%
Perpetuity		3.00%	3.00%	3.00%
Weighted average	5.52%	3.65%	5.50%	5.63%

Fair value

The fair value of the debt was $8,438.3 million ($8,105 million in 2008). Fair value includes the net financial liabilities associated with foreign currency and interest-rate swaps of $195.8 million ($168.8 million in 2008).

11- EMPLOYEE FUTURE BENEFITS LIABILITY
(in thousands of dollars)

	2009	2008
Defined benefit pension plans	(33,284)	204,514
Other pension plans	221,901	216,148
	188,617	420,662

Expenses for the defined benefit plans totalled $40.6 million ($267.2 million in 2008). Expenses for the defined contribution plans and the pension plans of elected officials totalled $0.6 million ($0.6 million in 2008) and $1.8 million ($1.8 million in 2008), respectively.

11- EMPLOYEE FUTURE BENEFITS LIABILITY (continued)
(in thousands of dollars)

Defined benefit plans

a) Description of plans

The City offers various defined benefit pension plans to most of its employees. Under these plans, benefits paid to employees are based on the number of years of service and the average salary for the highest paid years. The City's contributions are determined according to various actuarial methods.

Other retirement benefits, including life insurance and insurance coverage for medical and dental costs, are also provided to certain employees. Certain post-employment benefits are also provided and include, in particular, income replacement benefits, supplemental unemployment benefits, maintenance of coverage during periods of temporary absence and certain termination allowances. These plans are not funded.

b) Reconciliation of the funded status of the benefit plans with the amounts recorded in the Consolidated Statement of Financial Position

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Actuarial value of plan assets	12,685,269		12,936,672	
Accrued benefit obligation	(13,025,388)	(222,161)	(13,116,207)	(198,387)
Capitalization deficit	(340,119)	(222,161)	(179,535)	(198,387)
Unamortized actuarial losses (actuarial gains)	1,071,107	260	977,277	(17,761)
Accrued benefit asset (liability)	730,988	(221,901)	797,742	(216,148)
Valuation allowance	(697,704)		(1,002,256)	
Employee future benefits asset (liability)	33,284	(221,901)	(204,514)	(216,148)

c) Plans in which the accrued benefit obligation exceeds the plan assets

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligation	(6,767,422)	(222,161)	(6,313,617)	(198,387)
Actuarial value of plan assets	5,645,165		5,457,300	
Capitalization deficit	(1,122,257)	(222,161)	(856,317)	(198,387)

11- EMPLOYEE FUTURE BENEFITS LIABILITY (continued)
(in thousands of dollars)

d) Actuarial value of plan assets

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	12,936,672		13,250,597	
Contributions for the year	356,513	11,715	216,186	11,849
Expected return on plan assets	809,088		835,744	
Benefits paid	(804,187)	(11,715)	(756,157)	(11,849)
Loss during the year on the expected return on plan assets	(612,817)		(609,698)	
Balance at end	12,685,269		12,936,672	
Fair value of plan assets	11,652,921		10,659,807	

e) Accrued benefit obligation

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	13,116,207	198,387	12,529,804	204,771
Current service cost	314,238	9,624	308,640	9,538
Past service cost	13,100		152,076	1,919
Benefits paid	(804,187)	(11,715)	(756,157)	(11,849)
Interest cost on the obligation	820,007	9,946	791,150	10,263
Loss (gain) on the obligation during the year	(433,977)	15,919	90,694	(16,255)
Balance at end	13,025,388	222,161	13,116,207	198,387

11- EMPLOYEE FUTURE BENEFITS LIABILITY (continued)
(in thousands of dollars)

f) Components of the expense for defined benefits plans

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Current service cost	314,238	9,624	308,640	9,538
Past service cost	13,100		152,076	1,919
Employee contributions	(95,591)		(93,502)	
Unamortized actuarial gains applied against past service costs			(128,576)	
Amortization of actuarial losses (gains)	85,010	(2,102)	15,532	(609)
Retirement benefits expense	316,757	7,522	254,170	10,848
Interest cost on the obligation	820,007	9,946	791,150	10,263
Expected return on plan assets	(809,088)		(835,744)	
Interest cost (revenue)	10,919	9,946	(44,594)	10,263
Change in valuation allowance	(304,552)		36,469	
Total expense	23,124	17,468	246,045	21,111

g) Principal actuarial assumptions (weighted rates)

The principal actuarial assumptions used in the actuarial valuations performed from December 31, 2006 to December 31, 2008 are as follows:

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate	6.50% to 6.90%	5.00%	6.25% to 6.75%	5.00%
Rate of expected return on plan assets	6.50% to 6.90%		6.25% to 6.75%	
Salary escalation rate	2.50% to 4.00%	2.25% to 3.75%	3.00% to 4.00%	4.00%
Initial growth rate for healthcare costs		6.60% to 9.22%		9.01%
Ultimate growth rate for healthcare costs		4.30% to 7.00%		4.05%
Year when rate is expected to stabilize		2024 and 2025		2017
Initial growth rate for dental care costs		4.00% to 5.00%		4.00%

11- EMPLOYEE FUTURE BENEFITS LIABILITY (continued)
(in thousands of dollars)

Defined contribution plans and plans of elected officials

a) Description of plans

Some employees are members of defined contribution plans, under which the City's contribution represents a percentage of pay. Elected officials are members of defined benefit pension plans administered by the Commission administrative des régimes de retraite et d'assurances du Québec. The City's contributions are determined by the government.

b) Employer contributions

	2009	2008
Defined contribution plans	585	591
Pension plans of elected officials	1,796	1,817

12- CAPITAL ASSETS
(in thousands of dollars)

	Balance as at December 31, 2008 (Note 3)	Increase	Decrease	Balance as at December 31, 2009
COST				
Infrastructures	8,476,609	720,788	284,957	8,912,440
Metro system	2,250,486	102,341		2,352,827
Buildings	2,053,108	172,003	12,026	2,213,085
Leasehold improvements	72,289	5,396	7,156	70,529
Vehicles	1,116,993	182,176	76,123	1,223,046
Office furniture and equipment	420,869	37,398	46,020	412,247
Machinery, tools and equipment	234,004	41,181	49,572	225,613
Land	947,082	24,927		972,009
Other	26,984	1,252	2,644	25,592
	15,598,424	1,287,462	478,498	16,407,388
ACCUMULATED AMORTIZATION				
Infrastructures	3,573,094	316,059	205,654	3,683,499
Metro system	1,346,037	33,399		1,379,436
Buildings	946,186	57,712	4,041	999,857
Leasehold improvements	36,901	4,760	7,034	34,627
Vehicles	577,049	92,402	73,771	595,680
Office furniture and equipment	164,693	60,803	46,917	178,579
Machinery, tools and equipment	94,382	14,722	49,437	59,667
Other	21,612	2,585	2,611	21,586
	6,759,954	582,442	389,465	6,952,931
NET CARRYING VALUE	8,838,470			9,454,457

Capital assets in the process of completion, for which the cost totals $417.6 million as at December 31, 2009 ($424.8 million in 2008), are not amortized.

Notes and Tables to the Consolidated Financial Statements (continued)
December 31, 2009

13- OTHER NON-FINANCIAL ASSETS
(in thousands of dollars)

	2009	2008
Securities issuance costs	44,562	36,415
Other	29,389	36,922
	73,951	73,337

14- ACCUMULATED SURPLUS
(in thousands of dollars)

	2009	2008 (Note 3)
Unrestricted operating surplus	8,637	66,098
Restricted operating surplus	217,650	237,242
Financial reserves and reserved funds	170,330	122,604
Deficit of capital asset activities	(468,742)	(329,001)
Amount to be funded in the future	(1,271,437)	(1,593,857)
Net investment in capital assets	5,699,983	5,253,278
	4,356,421	3,756,364

In accordance with the model developed by the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire of the Government of Québec, the City presents certain financial information prepared for tax purposes in its annual financial report. Besides a breakdown of the accumulated surplus in various items defined in the following paragraphs, the financial information is presented in Schedules 3 and 4; in Tables 1, 2 and 3 of the Notes and Tables to the Consolidated Financial Statements; and in the section of the report that deals specifically with the municipal administration:

Restricted operating surplus

The restricted operating surplus is the portion of the accumulated surplus whose use is reserved under the *Act to reform the municipal territorial organization of the metropolitan regions of Montréal, Québec and Outaouais* (2000, chapter 56), under the Charter of the City of Montreal, or under resolutions adopted by the city council, the Urban Agglomeration Council and the borough councils.

Financial reserves and reserved funds

Certain amounts collected by the City must be recorded in special accounts of accumulated surplus and used for specific purposes. These purposes include, in particular, the development and maintenance of parks, playing fields and parking areas; the provision of water and road network services; and the acquisition of capital assets.

Deficit on capital asset activities

The deficit on capital asset activities is equal to the surplus of costs of capital assets on the financing realized.

Amount to be funded in the future

The amount to be funded in the future is equal to the net balance of the expenditures recognized in the Statement of Operations that will be subject to future revenues. Except for the balance related to the initial obligation as at January 1, 2007 for other retirement benefits and other post-employment employee future benefits, this amount will be transferred by allocating it to the unrestricted operating surplus over estimated periods through to 2045. The amount to be funded in the future results from the following:

- the application of transitional measures related to accounting policy changes made in 2000 (amortization over an estimated period through to 2020);

14- ACCUMULATED SURPLUS (continued)
(in thousands of dollars)

- application of relief measures related to employee future benefits (amortization over an estimated period through to 2025);

- the long-term financing of certain expenditures, essentially related to the 2003 and 2005 refinancing of notarized deeds relating to certain pension plans (amortization over an estimated period through to 2045).

Net investment in capital assets

The net investment in capital assets is equal to the net carrying value of capital assets, minus the debt portion related to these assets and the related unrealized net foreign exchange gains, plus Sinking Fund investments that have accrued to repay the debt and the receivables amount to be collected from third parties for said repayment.

15- TRANSFER REVENUES
(in thousands of dollars)

	2009	2008
Transfers - Operating activities		
Government of Québec	427,987	368,065
Transfers - Capital asset activities		
Government of Canada		
Canada/Québec Infrastructure program	28,586	1,833
Transportation Security program	6,589	7,215
Government of Québec		
Canada/Québec Infrastructure program	28,302	2,160
Québec/Municipalities Infrastructure program	169,039	123,121
SOFIL	190,885	100,412
Other	47,202	18,146
	470,603	252,887
	898,590	620,952

16- INTEREST INCOME
(in thousands of dollars)

	2009	2008
Sinking Fund	62,358	62,471
Cash and other interest	17,777	54,015
Tax arrears	9,793	8,529
	89,928	125,015

17- FINANCIAL INSTRUMENTS

Use of derivative instruments

The City uses derivative financial instruments to reduce its exposure to changes in cash flows associated with changes in foreign exchange rates and interest rates on its long-term debt. It does not use derivative financial instruments for trading or speculative purposes.

Exchange and interest positions

As at December 31, 2009, considering the use of currency and interest-rate swaps, substantially all of the City's loans are denominated in Canadian dollars and bear interest at a fixed rate.

Credit risk

In using derivative financial instruments, the City is exposed to credit losses arising from third-party defaults on payment. The City believes these parties will be able to meet their obligations since it deals only with recognized institutions whose credit ratings are higher than its own.

Fair value

The fair values of cash and temporary investments, accounts receivable other than those used to repay long-term debt, temporary loans, and accounts payable, provisions and accrued liabilities approximate their carrying values due to the short maturities of these financial instruments.

The following table shows the fair values and carrying values of other financial instruments:

(in thousands of dollars)	2009		2008	
	Fair value	Carrying value	Fair value	Carrying value
Investments	1,648,769	1,594,539	1,687,445	1,636,536
Receivables amount to be used to repay long-term debt	1,769,446	1,659,991	1,671,763	1,567,904
Loans	39,467	40,083	44,655	45,170
Long-term debt	8,438,273	8,009,399	8,104,973	7,638,384

The fair value of investments is the amount at which they could be exchanged on the market between parties at arm's length. The fair value of the receivables amount to be used to repay long-term debt, the loans as well as the fair value of long-term debt are essentially based on a discounted cash flow calculation that uses rates of return or the year-end market price of similar instruments with the same maturity. The fair value of swaps is the amount the City would receive or pay if these contracts closed at that date. As at December 31, 2009, the fair value and carrying value of financial liabilities associated with swaps stood at $195.8 million and $157 million ($168.8 million and $107.4 million in 2008). They are included in the long-term debt amounts.

18- COMMITMENTS AND CONTINGENCIES

a) Contractual obligations

The City has contractual obligations relating primarily to property leases, equipment and machinery rentals, and snow-removal and garbage collection services. Under these obligations, the City has committed to paying a total amount of $1,081.2 million. The estimated amounts payable over the coming years are as follows:

2010	2011	2012	2013	2014	2015-2069	Total
$278.2 M	$199.9 M	$164.7 M	$131.2 M	$70.6 M	$236.6 M	$1081.2 M

Capital activity commitments total $861.4 million.

The City has negotiated agreements to be supplied with diesel fuel at a set price until December 2012. As at December 31, 2009, the balance of the commitment was $62 million.

b) Ownership of property used to extend the metro system to the City of Laval

On April 28, 2007, the Agence métropolitaine de transport transferred the property used in extending the metro system to Laval to the City (Société de transport de Montréal) at no cost under Section 47 of the Act respecting the Agence métropolitaine de transport ("deed evidencing the transfer dated April 28, 2007"). On December 21, 2007, this transfer was cancelled on the condition that a new agreement be negotiated by the parties before February 28, 2008 ("reconveyance agreement dated December 21, 2007"). The expiry date of the reconveyance agreement dated December 21, 2007 was extended to June 30, 2010.

The signing of this agreement could increase the City's assets as well as liabilities and accumulated surplus by approximately $1,355.2 million, i.e., $677.6 million for capital assets and receivables amounts to be used to repay long-term debt and $677.6 million for long-term debt and net investment in capital assets. This would have no impact on the City's results due to the subsidies receivable from the ministère des Transports du Québec.

c) Metered parking

In 1995, the City assigned a part of its exclusive metered parking operations (in lots and on the streets) to a private organization under an agreement ending December 31, 2024 and renewable for a minimum additional period of ten years. When the agreement expires, the City has agreed to purchase from this organization the capital assets used for metered parking at their fair market value. However, over the term of the agreement, the City benefits from a purchase option on the parking lots that equals the purchase price paid by the organization. As at December 31, 2009, the net book value of these assets, including the acquisition cost of the parking lots of $5.4 million, was $24.6 million. In addition, the City has endorsed a loan the balance of which is $20 million as at December 31, 2009.

d) E-Commerce Place

Under a management agreement related to the E-Commerce Place real estate project, the City has endorsed a loan up to a maximum of $67.5 million, the balance of which is $32.7 million as at December 31, 2009.

e) Claims and insurance

Claims pending against the City amount to $658.8 million. In the opinion of the City's legal counsel, the settlement of these claims will not materially impact the City's financial position.

The municipal administration has not contracted any risk insurance. However, according to its Charter, the City must forecast, in its budget established for tax purposes, an amount of at least 1% of its expenditures to cover expenditures not forecasted in the budget, the settling of claims and payment of judgments.

18- COMMITMENTS AND CONTINGENCIES (continued)

f) Termination of contract with GÉNIEAU, GROUPE D'EXPERTS

As part of a review of the entire project to implement and operate systems that measure and regulate drinking water on the territory of the Montreal agglomeration, the Urban Agglomeration Council, at its meeting of December 3, 2009, terminated (resolution CG09 0472) the contract awarded to the firm GÉNIEAU, GROUPE D'EXPERTS by which it would carry out this project. In accordance with Article 12.7 of the contract, a notice of termination of contract was sent to GÉNIEAU, GROUPE D'EXPERTS on December 4, 2009.

In accordance with the terms and conditions of the contract, GÉNIEAU, GROUPE D'EXPERTS must send a final invoice, accompanied by all the supporting documents, listing incurred expenditures and costs, the value of the work performed and the services provided before the termination notice took effect, and the value of certain equipment and goods provided, as required.

Furthermore, under the contract if the City unilaterally and at its discretion terminates the contract, it must pay, in addition to the amounts mentioned above, an amount equal to 1% of the value of the unexecuted balance of the contract.

The firm has not yet sent its final invoice, so an estimate of the amounts still owed by the City could not be prepared.

g) Environment

The City, as an owner of contaminated land, may be required to perform certain acts to comply with the *Act to amend the Environment Quality Act* (2002, chapter 11). The City may have to characterize and, if necessary, rehabilitate a parcel of land after it has been used or when its use has been changed. The City is currently unable to determine the cost or method of financing of any measures.

19- COMMUNAUTÉ MÉTROPOLITAINE DE MONTRÉAL (CMM)

The City is part of the CMM, a regulatory, planning, coordinating, and funding body. Under the *Act respecting the Montréal Metropolitan Community* (R.S.Q C-37.01), the CMM exercises jurisdiction over such areas as land planning; economic development; arts and culture promotion; social housing; facilities, infrastructures, services and activities of metropolitan importance; public transit and the metropolitan arterial road network; waste management planning; air quality; and water purification.

During the year, the City's financial contribution to the CMM totalled $29.7 million ($26.6 million in 2008). The CMM, for its part, paid the City $42.3 million ($39.3 million in 2008) with respect to the operating costs of certain metropolitan facilities assumed by the City and for the social housing program.

20- COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

Notes and Tables to the Consolidated Financial Statements (continued)
Fiscal Year Ended December 31, 2009

TABLE 1 – CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY RESPONSIBILITY

	2009	
	Local responsibilities	
	Budget	Actual (2)
Revenues		
Taxes	2,417,274	2,431,590
Payments in lieu of taxes	202,350	203,279
Quota shares		
Transfers	225,425	250,036
Services rendered	331,432	308,690
Fee collection	114,326	111,278
Fines and penalties	101,824	99,769
Interest	89,339	73,451
Other revenues	50,687	53,676
	3,532,657	3,531,769
Operating expenditures		
General administration	569,712	495,366
Public security	629,322	629,959
Transportation	650,440	636,243
Environmental hygiene	435,462	405,152
Health and welfare	123,135	105,102
Urban planning and development	153,931	165,847
Recreation and culture	421,123	426,423
Financing expenses	329,634	309,526
	3,312,759	3,173,618
Surplus before financing and allocations	219,898	358,151
Financing		
Repayment of long-term debt (3)	(233,920)	(238,056)
Allocations		
Capital asset activities	(5,200)	(19,013)
Unrestricted operating surplus	1,600	
Restricted operating surplus	50,737	73,110
Financial reserves and reserved funds	(33)	(14,360)
Amount to be funded in the future	(23,470)	(93,737)
	23,634	(54,000)
Operating surplus (deficit) for tax purposes for the year	9,612	66,095

(1) Eliminations refer to transactions carried out between organizations included in the financial reporting entity as well as to interjurisdictional transactions.

(2) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by $92.9 million equal to the municipal administration's specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the SOFIL program.

(3) Repayment of long-term debt includes loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties.

Notes and Tables to the Consolidated Financial Statements (continued)
Fiscal Year Ended December 31, 2009

(in thousands of dollars)

2009						2008
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
	1,662	(11,089)	(11,168)	2,406,185	2,422,084	2,676,072
	1,337			202,350	204,616	226,028
2,078,788	2,101,288	(1,757,238)	(1,780,793)	321,550	320,495	
177,180	177,951			402,605	427,987	368,065
570,315	537,800	(65,597)	(59,375)	836,150	787,115	791,002
1,891	1,824			116,217	113,102	128,609
86,216	111,760			188,040	211,529	158,632
25,292	16,477			114,631	89,928	125,015
143,153	130,361	(22,812)	(34,813)	171,028	149,224	162,681
3,082,835	3,080,460	(1,856,736)	(1,886,149)	4,758,756	4,726,080	4,636,104
197,935	60,917	(200,875)	(207,190)	566,772	349,093	463,887
878,095	877,487	(615,829)	(616,126)	891,588	891,320	879,946
1,295,314	1,201,298	(667,003)	(698,913)	1,278,751	1,138,628	1,282,898
256,978	209,792	(258,531)	(258,718)	433,909	356,226	361,182
37,923	34,740	(27,047)	(11,224)	134,011	128,618	122,378
47,227	47,289	(22,258)	(29,847)	178,900	183,289	148,590
92,881	92,986	(70,896)	(72,614)	443,108	446,795	442,877
173,099	147,045			502,733	456,571	455,990
2,979,452	2,671,554	(1,862,439)	(1,894,632)	4,429,772	3,950,540	4,157,748
103,383	408,906	5,703	8,483	328,984	775,540	478,356
(177,363)	(170,795)			(411,283)	(408,851)	(401,719)
(5,567)	(13,424)	(5,703)	(2,071)	(16,470)	(34,508)	(29,133)
224				1,824		
27,335	9,602			78,072	82,712	133,525
(2,059)	(64,481)			(2,092)	(78,841)	(63,558)
54,047	(222,271)		(6,412)	30,577	(322,420)	(27,220)
73,980	(290,574)	(5,703)	(8,483)	91,911	(353,057)	13,614
	(52,463)			9,612	13,632	90,251

Notes and Tables to the Consolidated Financial Statements (continued)
Fiscal Year Ended December 31, 2009

TABLE 2 – CONSOLIDATED DEFICIT OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY

	2009	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares		
Transfers	140,598	82,188
Other revenues		
Developers' contributions	4,150	19,716
Other		4,672
	144,748	106,576
Capital expenditures		
General administration	34,534	13,894
Public security		27
Transportation	260,628	241,769
Environmental hygiene	118,074	140,899
Health and welfare	3,000	2,355
Urban planning and development	64,523	56,119
Recreation and culture	144,300	119,148
	625,059	574,211
Deficit before financing and allocations	(480,311)	(467,635)
Financing		
Long-term financing of capital asset activities	426,489	221,512
Allocations		
Operating activities	5,200	19,013
Unrestricted operating surplus		(53)
Restricted operating surplus	37,796	8,266
Financial reserves and reserved funds	10,826	7,357
	53,822	34,583
Surplus (deficit) of capital asset activities for tax purposes for the year		(211,540)

(1) Eliminations refer to transactions carried out between organizations included in the financial reporting entity.

(2) The revenues include transfers of $92.9 million equal to the municipal administration's specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the SOFIL program.

Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2009

(in thousands of dollars)

2009						2008
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual (2)	Budget	Actual	Budget	Actual	Actual
	8,483		(8,483)			
596,480	388,415			737,078	470,603	252,887
	33			4,150	19,749	7,345
5,703	968	(5,703)			5,640	5,620
602,183	397,899	(5,703)	(8,483)	741,228	495,992	265,852
24,501	8,580			59,035	22,474	53,191
41,540	41,799			41,540	41,826	37,507
722,014	430,210			982,642	671,979	605,624
266,720	158,880			384,794	299,779	166,145
	927			3,000	3,282	6,704
12,922	26,797			77,445	82,916	88,626
84,379	46,058			228,679	165,206	122,665
1,152,076	713,251			1,777,135	1,287,462	1,080,462
(549,893)	(315,352)	(5,703)	(8,483)	(1,035,907)	(791,470)	(814,610)
517,757	356,621			944,246	578,133	573,705
5,567	13,424	5,703	2,071	16,470	34,508	29,133
	(16)				(69)	
2,304	(40)			40,100	8,226	4,181
24,265	23,572			35,091	30,929	29,467
32,136	36,940	5,703	2,071	91,661	73,594	62,781
	78,209		(6,412)		(139,743)	(178,124)

Notes and Tables to the Consolidated Financial Statements (continued)
As at December 31, 2009

TABLE 3 – CONSOLIDATED ACCUMULATED SURPLUS *(in thousands of dollars)*

	2009	2008 (Note 3)
Accumulated Surplus		
Unrestricted operating surplus	8,637	66,098
Restricted operating surplus	217,650	237,242
Financial reserves and reserved funds	170,330	122,604
Deficit of capital asset activities	(468,742)	(329,001)
Amount to be funded in the future	(1,271,437)	(1,593,857)
Net investment in capital assets	5,699,983	5,253,278
	4,356,421	3,756,364
Breakdown of different items		
Restricted operating surplus		
Allocation to the following year	80,875	50,704
Restricted surplus - Boroughs	85,466	97,624
Restricted surplus - Specific projects	22,786	48,250
Restricted surplus - Other purposes	28,523	40,664
	217,650	237,242
Financial reserves and reserved funds		
Financial reserves		
Water management	119,640	75,549
Management of road network	22,297	16,231
	141,937	91,780
Reserved funds		
Parks and playing fields	8,771	11,583
Working capital	7,609	7,143
Balance of closed-loan by-laws	4,951	5,136
Parking areas	3,564	3,684
Other	3,298	3,278
	28,393	30,824
	170,330	122,604
Amount to be funded in the future		
Transitional measures as of January 1, 2000		
Employee benefits	(34,588)	(39,927)
Employee future benefits		
Pension plan	166,861	(131,149)
Other plans	(197,554)	(197,554)
	(30,693)	(328,703)
Long-term financing of operating activities	(1,206,156)	(1,225,227)
	(1,271,437)	(1,593,857)
Net investment in capital assets		
Assets		
Investments - Sinking Fund	1,391,311	1,256,016
Receivables amounts to be used to repay long-term debt	1,456,404	1,355,923
Capital assets	9,454,457	8,838,470
	12,302,172	11,450,409
Liabilities		
Deferred revenues - Unrealized net foreign exchange gains	(3,075)	(1,260)
Long-term debt	(8,009,399)	(7,638,384)
Debt in refinancing	(11,012)	(10,531)
Debt not affecting the net investment in capital assets	1,421,297	1,453,044
	(6,602,189)	(6,197,131)
	5,699,983	5,253,278

Notes and Tables to the Consolidated Financial Statements (continued)
As at December 31, 2009

TABLE 4 – CONSOLIDATED NET TOTAL LONG-TERM DEBT *(in thousands of dollars)*

	Note	2009	2008
Long-term debt	10	**8,009,399**	7,638,384
Add			
Long-term unfunded operating expenditures		**73,347**	82,338
Long-term unfunded capital expenditures		**468,742**	329,001
Other			
Purchase of land		**8,417**	11,135
Government receivables		**72,514**	10,690
Debt in refinancing		**11,012**	10,531
Deduct			
Receivables amount dedicated to repayment		**1,732,505**	1,578,594
Amount accumulated for repayment		**1,391,311**	1,256,016
Amount recoverable through user fees		**286,907**	262,967
Consolidated net long-term debt		**5,232,708**	4,984,502
Add			
Quota share in net total long-term debt - Montréal Metropolitain Community		**13,571**	12,351
Consolidated net total long-term debt		**5,246,279**	4,996,853

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2009

Municipal Administration Financial Reporting

Breakdown by Responsibility
Water Management
Breakdown of Mixed Expenditures

Montréal en action

2009 Municipal Administration Financial Reporting

Breakdown by Responsibility

Financial Information of the Municipal Administration
Fiscal Year Ended December 31, 2009

NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY RESPONSIBILITY

	2009	
	Local responsibilities	
	Budget	Actual (2)
Revenues		
Taxes	2,417,274	2,431,590
Payments in lieu of taxes	202,350	203,279
Quota shares		
Transfers	225,425	250,036
Services rendered	259,982	237,875
Fee collection	114,326	111,278
Fines and penalties	101,824	99,769
Interest	89,339	73,451
Other revenues	48,429	44,786
	3,458,949	3,452,064
Operating expenditures		
General administration	569,712	495,366
Public security	629,322	629,959
Transportation	650,440	636,243
Environmental hygiene	435,462	405,152
Health and welfare	69,175	64,106
Urban planning and development	152,178	168,166
Recreation and culture	420,618	425,962
Financing expenses	329,172	304,768
	3,256,079	3,119,722
Surplus before financing and allocations	202,870	332,342
Financing		
Repayment of long-term debt (3)	(224,904)	(228,235)
Allocations		
Capital asset activities	(5,200)	(17,056)
Restricted operating surplus	50,737	73,110
Financial reserves and reserved funds	(33)	(14,360)
Amount to be funded in the future	(23,470)	(93,737)
	22,034	(52,043)
Operating surplus (deficit) for tax purposes for the year		52,064

(1) The eliminations refer to interjurisdictional transactions.

(2) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by $92.9 million equal to the municipal administration's specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the SOFIL program.

(3) Repayment of long-term debt represents loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties.

(in thousands of dollars)

2009						2008
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
	1,662			2,417,274	2,433,252	2,687,261
	1,337			202,350	204,616	226,028
1,746,788	1,750,346	(1,425,238)	(1,429,851)	321,550	320,495	
75,047	83,191			300,472	333,227	293,236
74,241	70,815	(38,247)	(41,217)	295,976	267,473	272,617
1,891	1,824			116,217	113,102	128,609
86,216	111,760			188,040	211,529	158,632
25,292	9,386			114,631	82,837	118,992
22,495	19,747			70,924	64,533	77,112
2,031,970	2,050,068	(1,463,485)	(1,471,068)	4,027,434	4,031,064	3,962,487
197,935	60,917	(200,439)	(201,391)	567,208	354,892	471,097
878,095	877,487	(615,829)	(616,126)	891,588	891,320	879,946
381,950	411,919	(314,794)	(320,556)	717,596	727,606	787,294
256,978	209,792	(257,855)	(258,356)	434,585	356,588	361,950
37,923	34,740	(4,823)	(4,824)	102,275	94,022	91,975
47,227	47,289	(20,033)	(20,100)	179,372	185,355	151,175
66,417	67,340	(49,712)	(49,715)	437,323	443,587	440,029
81,342	85,677			410,514	390,445	392,663
1,947,867	1,795,161	(1,463,485)	(1,471,068)	3,740,461	3,443,815	3,576,129
84,103	254,907			286,973	587,249	386,358
(120,360)	(120,243)			(345,264)	(348,478)	(319,824)
(4,000)	(6,795)			(9,200)	(23,851)	(12,431)
23,300	5,746			74,037	78,856	131,780
	(63,104)			(33)	(77,464)	(62,181)
16,957	(123,106)			(6,513)	(216,843)	(35,734)
36,257	(187,259)			58,291	(239,302)	21,434
	(52,595)				(531)	87,968

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2009

NON-CONSOLIDATED DEFICIT OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY

	2009	
	Local responsibilities	
	Budget	Actual
Revenues		
Transfers	140,598	82,188
Other revenues		
Developers' contributions	4,150	19,716
Other		4,672
	144,748	106,576
Acquisition of capital assets		
General administration	34,534	13,894
Public security		27
Transportation	260,628	241,769
Environmental hygiene	118,074	140,899
Health and welfare		664
Urban planning and development	64,523	55,853
Recreation and culture	144,300	119,148
	622,059	572,254
Deficit before financing and allocations	(477,311)	(465,678)
Financing		
Long-term financing of capital asset activities	423,489	221,512
Allocations		
Operating activities	5,200	17,056
Unrestricted operating surplus		(53)
Restricted operating surplus	37,796	8,266
Financial reserves and reserved funds	10,826	7,357
	53,822	32,626
Surplus (deficit) of capital asset activities for tax purposes for the year		(211,540)

(1) The revenues include transfers of $92.9 million equal to the municipal administration's specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the SOFIL program.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2009

(in thousands of dollars)

2009				2008
Urban agglomeration responsibilities		Total		Total
Budget	Actual (1)	Budget	Actual	Actual
175,269	166,541	315,867	248,729	66,474
	33	4,150	19,749	7,345
	968		5,640	5,620
175,269	167,542	320,017	274,118	79,439
24,501	8,580	59,035	22,474	53,191
41,540	41,799	41,540	41,826	37,507
104,305	62,347	364,933	304,116	292,287
266,720	158,880	384,794	299,779	166,145
	927		1,591	3,879
12,922	26,797	77,445	82,650	88,572
84,379	45,905	228,679	165,053	122,196
534,367	345,235	1,156,426	917,489	763,777
(359,098)	(177,693)	(836,409)	(643,371)	(684,338)
330,833	207,358	754,322	428,870	567,145
4,000	6,795	9,200	23,851	12,431
	(16)		(69)	
	(40)	37,796	8,226	4,181
24,265	23,572	35,091	30,929	29,467
28,265	30,311	82,087	62,937	46,079
	59,976		(151,564)	(71,114)

Financial Information of the Municipal Administration (continued)
As at December 31, 2009

NON-CONSOLIDATED ACCUMULATED SURPLUS BY RESPONSIBILITY

	2009		
	Local responsibilities	Urban agglomeration responsibilities	Total
Accumulated surplus			
Unrestricted operating surplus (deficit)	61,779	(50,014)	**11,765**
Restricted operating surplus	199,688	11,142	**210,830**
Financial reserves and reserved funds	50,138	115,278	**165,416**
Deficit of capital asset activities	(346,165)	(97,322)	**(443,487)**
Amount to be funded in the future	(1,508,161)	273,861	**(1,234,300)**
Net investment in capital assets			**4,174,688**
			2,884,913
Breakdown of different items			
Allocated operating surplus			
Allocation to the following year	80,875		**80,875**
Restricted surplus - Boroughs	85,466		**85,466**
Restricted surplus - Special projects	14,341	8,446	**22,786**
Restricted surplus - Other purposes	19,007	2,696	**21,703**
	199,688	11,142	**210,830**
Financial reserves and reserved funds			
Financial reserves			
Water management	22,857	96,783	**119,640**
Management of road network	3,802	18,495	**22,297**
	26,659	115,278	**141,937**
Reserved funds			
Parks and playing fields	8,771		**8,771**
Working capital	3,018		**3,018**
Balance of closed-loan by-laws	4,828		**4,828**
Parking areas	3,564		**3,564**
Other	3,298		**3,298**
	23,479		**23,479**
	50,138	115,278	**165,416**
Amount to be funded in the future			
Transitional measures of January 1, 2000			
Employee benefits		(23,732)	**(23,732)**
Employee future benefits			
Pension plan	(236,516)	314,661	**78,145**
Other plans	(96,320)	(9,914)	**(106,234)**
	(332,836)	304,747	**(28,089)**
Long-term financing of operating activities	(1,175,325)	(7,154)	**(1,182,479)**
	(1,508,161)	273,861	**(1,234,300)**

Financial Information of the Municipal Administration (continued)
As at December 31, 2009

(in thousands of dollars)

	2008		
	Local responsibilities	Urban agglomeration responsibilities	Total
			(Note 3)
Accumulated surplus			
Unrestricted operating surplus (deficit)	108,545	(25,634)	82,911
Restricted operating surplus	181,996	45,048	227,044
Financial reserves and reserved funds	43,321	75,746	119,067
Deficit of capital asset activities	(134,626)	(157,299)	(291,925)
Amount to be funded in the future	(1,601,899)	150,756	(1,451,143)
Net investment in capital assets			3,874,553
			2,560,507
Breakdown of different items			
Allocated operating surplus			
Allocation to the following year	50,704		50,704
Restricted surplus - Boroughs	97,624		97,624
Restricted surplus - Specific projects	14,358	33,892	48,250
Restricted surplus - Other purposes	19,310	11,156	30,466
	181,996	45,048	227,044
Financial reserves and reserved funds			
Financial reserves			
Water management	16,034	59,515	75,549
Management of road network		16,231	16,231
	16,034	75,746	91,780
Reserved funds			
Parks and playing fields	11,583		11,583
Working capital	3,730		3,730
Balance of closed-loan by-laws	5,012		5,012
Parking areas	3,684		3,684
Other	3,278		3,278
	27,287		27,287
	43,321	75,746	119,067
Amount to be funded in the future			
Transitional measures of January 1, 2000			
Employee benefits		(27,353)	(27,353)
Employee future benefits			
Pension plan	(311,988)	188,542	(123,446)
Other plans	(96,320)	(9,914)	(106,234)
	(408,308)	178,628	(229,680)
Long-term financing of operating activities	(1,193,591)	(519)	(1,194,110)
	(1,601,899)	150,756	(1,451,143)

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2009

NON-CONSOLIDATED BY-ITEM AMOUNTS FOR TAX PURPOSES BY RESPONSIBILITY

	2009	
	Local responsibilities	
	Budget	Actual
Remuneration		
Elected officials	9,599	9,200
Employees	651,409	655,853
Employer contributions		
Elected officials	3,477	3,062
Employees	251,972	200,800
Transportation and communication	29,603	29,322
Professionnal, technical and other services		
Professional fees	45,876	26,083
Purchase of technical services	187,964	164,373
Other	2,954	1,945
Leasing, maintenance and repairs		
Leasing	80,398	73,263
Maintenance and repairs	51,418	37,171
Durable goods		
Construction		3,484
Other durable goods	22,736	15,537
Non-durable goods		
Delivery of public services	50,743	48,299
Other non-durable goods	103,462	93,654
Financing expenses		
Interest and other charges on long-term debt borne by:		
The municipality	197,445	194,303
Government of Québec and its enterprises	76,155	81,650
Other third parties	54,156	26,996
Other financing expenses	1,416	1,819
Contributions to organizations		
Municipal organizations		
Quota shares - Agglomération de Montréal	1,425,238	1,429,851
Société de transport de Montréal		
Montréal Metropolitan Community	26,150	25,090
Reconstituted municipalities		
Other	3,335	2,032
Government organizations		
Agence métropolitaine de transport		
Other		10
Other organizations	51,686	70,857
Other items		
Doubtful account or bad debts	3,297	13,252
Other	(74,410)	(88,184)
	3,256,079	3,119,722

(1) Eliminations refer to interjurisdictional transactions.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2009

(in thousands of dollars)

2009						2008
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
				9,599	9,200	9,755
740,702	724,850			1,392,111	1,380,703	1,368,139
				3,477	3,062	4,149
192,325	98,809			444,297	299,609	433,352
14,913	15,763		(11)	44,516	45,074	41,828
31,303	25,636		(38)	77,179	51,681	55,908
75,125	74,615	(847)	(3,204)	262,242	235,784	272,203
734	896			3,688	2,841	3,600
36,685	34,149	(29,714)	(30,143)	87,369	77,269	97,539
39,846	29,197	(7,667)	(7,695)	83,597	58,673	62,803
	5,542				9,026	9,760
5,330	126	(19)	(126)	28,047	15,537	4,842
36,276	33,509			87,019	81,808	84,023
45,229	36,431			148,691	130,085	143,296
78,724	83,486			276,169	277,789	264,154
2,618	1,720			78,773	83,370	98,422
				54,156	25,996	26,491
	471			1,416	2,290	3,596
		(1,425,238)	(1,429,851)			
332,000	359,425			332,000	359,425	334,117
4,764	4,571			30,914	29,661	26,554
1,565	1,565			1,565	1,565	14,218
20,941	20,833			24,276	22,865	24,714
39,488	40,613			39,488	40,613	36,011
9,158	9,370			9,158	9,380	10,395
25,286	30,040			76,972	100,897	84,743
4,037	30,587			7,334	43,839	(15,808)
210,818	132,957			136,408	44,773	77,325
1,947,867	1,795,161	(1,463,485)	(1,471,068)	3,740,461	3,443,815	3,576,129

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2009

Water Management

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2009

NON-CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES RELATED TO WATER MANAGEMENT BY RESPONSIBILITY

	2009	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares – Water service		
Quota shares – Drinking water supply		
Quota shares – Water financial reserve		
Wastewater fees and the sale of Charlemagne drinking water		
Contribution to improve water service	109,941	114,223
Flat rate and meter fees	26,285	25,790
Taxes allocated to improve water service		
Other revenues from local sources	1,779	860
Transfers		309
User fees - Drinking water - Reconstituted municipalities		
Amount from property and rental taxes and other revenues	172,597	172,597
	310,602	313,779
Expenditures		
Quota shares for financing urban agglomeration activities	203,650	202,613
Expenditures	64,575	60,835
	268,225	263,448
Surplus before financing and allocations	42,377	50,331
Financing		
Repayment of long-term debt (1)	42,377	44,250
Allocations		
Capital asset financial activities		(135)
Restricted surplus		
		(135)
Operating surplus (deficit) for tax purposes for the year		5,946

(1) Repayment of long-term debt includes loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties. For the purpose of this table, the repayment of long-term debt includes financing expenses.

(2) Interjurisdictional transactions have been eliminated.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2009

(in thousands of dollars)

2009						2008
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
110,809	110,809	(89,950)	(89,950)	20,859	20,859	
53,256	52,100	(48,759)	(47,722)	4,497	4,378	
80,000	80,000	(64,941)	(64,941)	15,059	15,059	
6,055	5,335			6,055	5,335	
	256			109,941	114,479	
				26,285	25,790	
						109,020
533	1,002			2,312	1,862	1,423
					309	698
						4,221
				172,597	172,597	210,971
250,653	249,502	(203,650)	(202,613)	357,605	360,668	326,333
		(203,650)	(202,613)			
204,382	146,326		(7)	268,957	207,154	187,756
204,382	146,326	(203,650)	(202,620)	268,957	207,154	187,756
46,271	103,176		7	88,648	153,514	138,577
46,271	40,464			88,648	84,714	91,212
	(4,626)				(4,761)	(2,004)
	346				346	747
	(4,280)				(4,415)	(1,257)
	58,432		7		64,385	46,108

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2009

NON-CONSOLIDATED SURPLUS (DEFICIT) OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES RELATED TO WATER MANAGEMENT BY RESPONSIBILITY

	2009	
	Local responsibilities	
	Budget	Actual
Revenues		
Transfers	90,700	57,313
Other revenues		
	90,700	57,313
Acquisition of capital assets		
Drinking water production		
Wastewater treatment		
Water and wastewater - Secondary infrastructure	100,900	118,408
Water meters		
Buildings		
	100,900	118,408
Deficit before financing and allocations	(10,200)	(61,095)
Financing		
Long-term financing of capital asset activities	6,200	(269)
Allocations		
Operating activities		135
Restricted operating surplus		(53)
Financial reserves - Water management	4,000	34
	4,000	116
Surplus (deficit) of capital asset activities for tax purposes for the year		(61,248)

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2009

(in thousands of dollars)

2009				2008
Urban agglomeration responsibilities		Total		Total
Budget	Actual	Budget	Actual	Actual
89,345	110,759	180,045	168,072	48,428
5,722	540	5,722	540	13
95,067	111,299	185,767	168,612	48,441
162,245	109,399	162,245	109,399	54,124
34,293	15,868	34,293	15,868	16,456
26,600	15,282	127,500	133,690	68,299
19,272		19,272		
7,378	6,492	7,378	6,492	12,880
249,788	147,041	350,688	265,449	151,759
(154,721)	(35,742)	(164,921)	(96,837)	(103,318)
132,178	3,676	138,378	3,407	124,206
	4,627		4,762	2,004
	(16)		(69)	(15)
22,543	25,529	26,543	25,563	22,258
22,543	30,140	26,543	30,256	24,247
	(1,926)		(63,174)	45,135

Annual Financial Report **2009**

Montréal en action

2009 Municipal Administration Financial Reporting

Breakdown of Mixed Expenditures

Annual Financial Report **2009**

Montréal

Bureau du vérificateur général
1550, rue Metcalfe
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Montréal (Québec) H3A 3P1

REPORT OF THE GENERAL AUDITOR OF MONTRÉAL ON THE BREAKDOWN OF MIXED EXPENDITURES

To the Mayor,
The Chairman and the Members of the Executive Committee,
The Members of the Council of the Ville de Montréal,
The Members of the Montréal Agglomeration Council

Under Section 70 of *An Act respecting the exercise of certain municipal powers in certain urban agglomerations*, I have audited the Breakdown of mixed Expenditures Schedule for the municipal administration between local and agglomeration responsibilities, for the year ended December 31, 2009. This breakdown is determined in accordance with the criteria and calculation method defined in by-laws RCG06-054 and RCG06-054-1 adopted by the Agglomeration Council respectively on December 13, 2006 and December 18, 2008. This financial information is the responsibility of the City's management. My responsibility is to express an opinion on this financial information based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial information presentation.

In my opinion, this schedule presents fairly, in all material respects, the breakdown of mixed expenditures for the municipal administration between local and agglomeration responsibilities for the year ended December 31, 2009 in accordance with the criteria and calculation method defined in the by-laws adopted by the Agglomeration Council.

General Auditor of Montréal,

Jacques Bergeron, CA auditor

Montréal, March 26, 2010

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2009

TABLE OF BREAKDOWN OF MIXED EXPENDITURES BY RESPONSIBILITY

	2009	
	Local responsibilities	
	Budget	Actual
Operating expenditures		
General administration	117,525	104,859
Public security		271
Transportation	2,396	4,013
Environmental hygiene	7,717	6,073
Health and welfare	1,706	1,847
Urban planning and development	33,471	31,189
Recreation and culture	5,634	6,090
Financing expenses		
	168,449	154,342
Total operating expenditures	168,449	154,342

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2009

(in thousands of dollars)

2009						2008
Urban agglomeration responsibilities		Eliminations		Total		
Budget	Actual	Budget	Actual	Budget	Actual	Actual
100,884	**97,571**	(4,720)	**(4,997)**	213,689	**197,433**	215,184
					271	1,759
930	**1,025**		**(6)**	3,326	**5,032**	3,238
4,363	**3,712**			12,080	**9,785**	9,956
4,524	**4,003**			6,230	**5,850**	6,668
11,995	**11,249**			45,466	**42,438**	39,180
5,350	**5,698**		**(1)**	10,984	**11,787**	13,500
128,046	**123,258**	(4,720)	**(5,004)**	291,775	**272,596**	289,485
128,046	**123,258**	(4,720)	**(5,004)**	291,775	**272,596**	289,485

Municipal Administration – Breakdown of Mixed Expenditures – Supplementary Notes
December 31, 2009

1- MIXED EXPENDITURES

An Act respecting the exercise of certain municipal powers in certain urban agglomerations (R.S.Q., chapter E-20.001), completed by the *Montréal Agglomeration Order* (Order-in-Council No. 1229-2005) and the orders that amended it thereafter, lists and defines the urban agglomeration responsibilities. Under this Act, expenditures incurred in carrying out an act that falls within the exercise of an agglomeration power and, at the same time, another power, are considered mixed expenditures; these mixed expenditures are subject to a by-law of the Urban Agglomeration Council that sets out criteria for establishing which portion of the mixed expenditure is an expenditure related to the exercise of an agglomeration power.

2- BREAKDOWN OF MIXED EXPENDITURES

The mixed expenditures of the municipal administration are broken down between local and agglomeration powers in accordance with the criteria and calculation method defined in by-laws RCG06-054 and RCG 06-054-1, adopted by the Urban Agglomeration Council on December 13, 2006 and December 18, 2008, respectively.

Therefore, the portion of a mixed expenditure related to transportation, environmental hygiene, health and welfare, urban planning and development, as well as recreation and culture, which constitutes an expenditure incurred in exercising agglomeration powers, is determined using factual quantitative data or a quantitative measure of the human or financial resources allocated to the expenditure.

Also, the portion of a mixed expenditure that is a general administrative expenditure incurred by one or more support units in the exercise of agglomeration powers is determined using an administrative expenditure rate applied to the agglomeration expenditures, excluding debt service expenditures, contribution expenditures and contingency expenditures. The administrative expenditure rate is calculated annually on the basis of criteria set out in the above-mentioned by-laws. The rate applicable in 2009 was 7.01%.

The actual mixed expenditures are distributed based on the rates used to develop the City's 2009 Budget.

3- SIGNIFICANT ACCOUNTING POLICIES

The Breakdown of Mixed Expenditures Table for the municipal administration is prepared in accordance with generally accepted accounting principles applicable to local governments recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants using the same accounting policies as those described in Note 2 to the consolidated financial statements of Ville de Montréal for the year ended December 31, 2009.

By their very nature, the mixed expenditures for the municipal administration do not include any tax reconciliation items.

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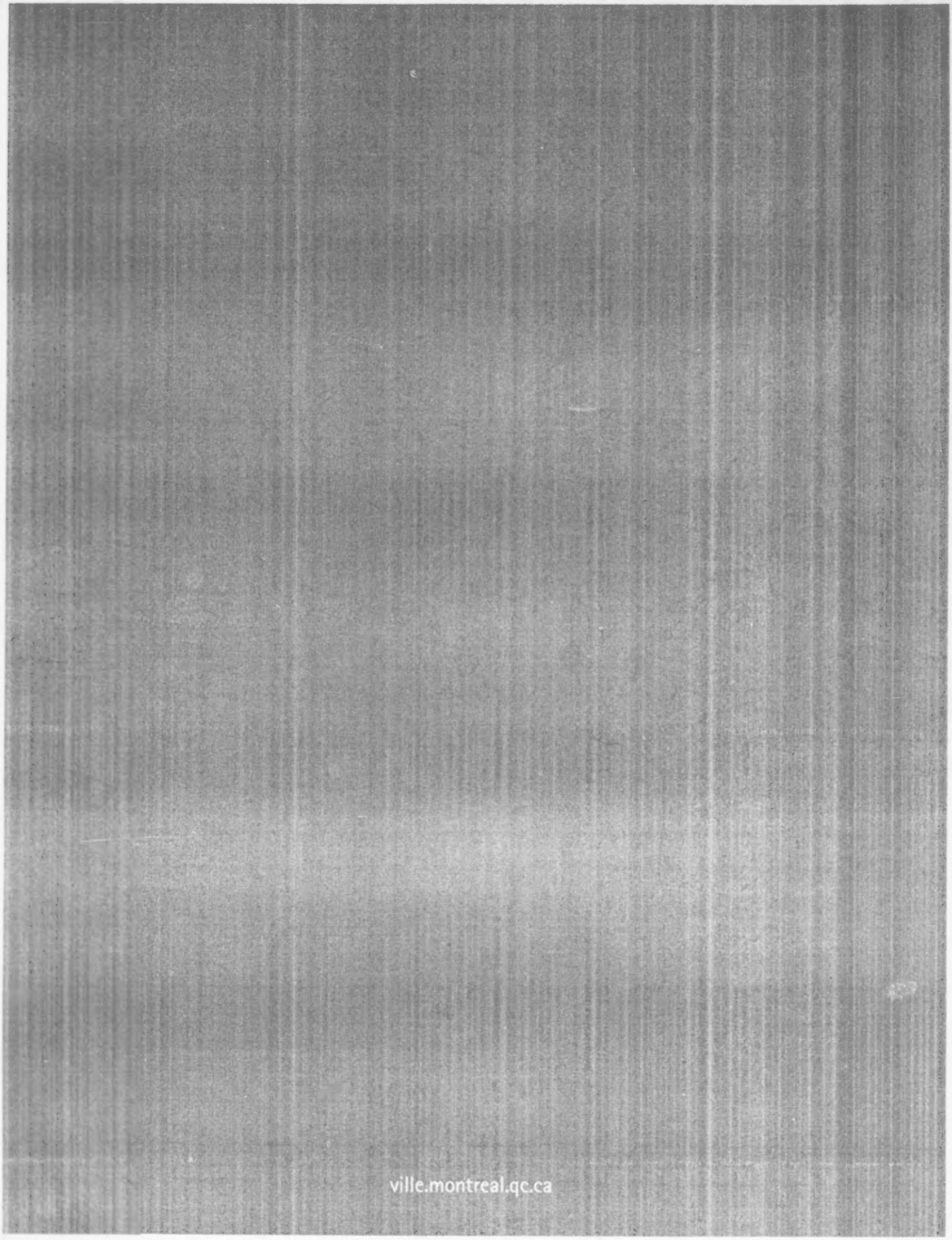
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